

State of Nevada

Comprehensive Annual Financial Report

for the Fiscal Year
Ended June 30, 2002

Kathy Augustine
State Controller



Kathy Augustine State Controller



The Office of State Controller was created when Nevada became a state in 1864. The Controller is one of Nevada's six constitutional officers elected statewide to a four-year term.

Ms. Augustine was sworn in as Nevada's first female State Controller on January 4, 1999. She serves as a member of the State Board of Finance, the Department of Transportation Board of Directors and the Executive Branch Audit Committee.

As Chief Fiscal Officer of the State, she is empowered to represent the State in fiscal matters and her position is critical in maintaining a checks-and-balance system in state finances.

The Controller ensures compliance with state fiscal and federal revenue laws. She administers the state accounting system in order to provide, fair, accurate, consistent, and timely financial reporting in accordance with standards set forth by the Governmental Accounting Standards Board. Her office also prepares the Popular and Comprehensive Annual Financial Reports, pays employee salaries, processes claims against the state and administers the debt collection program.

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State Controller

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December 16, 2002

To the Citizens, Governor and Legislators of the State of Nevada:

In accordance with Nevada Revised Statutes (NRS) 227.110 and the State Accounting Procedures Law (NRS 353.291 through 353.3245), I am pleased to present the State of Nevada Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2002. This is our first CAFR prepared in conformance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34. The objective of this statement is to provide a clear picture of the government as a single, unified entity, as well as providing traditional fund based financial statements. I believe this new presentation will provide more useful information to the users of the CAFR.

Introduction to the Report

Responsibility: The Controller's Office prepares the State of Nevada CAFR and is responsible for the accuracy, completeness and fairness of the presentation, including disclosures. To the best of our knowledge and belief, the information contained in the State of Nevada CAFR is accurate in all material respects and is reported in a manner that fairly presents the financial position and results of operations of the State's primary government and component units for which it is financially accountable. Additionally, this report includes all disclosures necessary to enable the reader to gain a reasonable understanding of Nevada's financial activities.

Format of Report: The CAFR is presented in four sections: Introductory, Financial, Statistical and Compliance. The Introductory Section includes this letter, a list of statewide elected officials, our State government organizational chart and our GFOA Certificate of Achievement. The Financial Section includes the Independent Auditor's Report; Management's Discussion and Analysis; the Basic Financial Statements, including government-wide financial statements and fund financial statements, together with notes to the financial statements; Required Supplementary Information, which presents budgetary comparison schedules, the schedule of funding progress and the schedule of infrastructure condition and maintenance data; and the supplemental financial data which includes combining financial statements and other budgetary schedules. The Statistical Section includes trend information on fiscal, social and demographic measures. The Compliance Section includes the Independent Auditor's Report on Compliance and on Internal Control.

Generally Accepted Accounting Principles: As required by State Accounting Procedures Law, this report has been prepared in accordance with the accounting principles generally accepted in the United States of America (GAAP) for governments as promulgated by the Governmental Accounting Standards Board (GASB). The State also voluntarily follows the recommendations of the Government Finance Officers Association of the United States and Canada (GFOA) for the contents of government financial reports, and participates in the GFOA's review program for the Certificate of Achievement for Excellence in Financial Reporting.

Independent Auditors: The independent accounting firm of Kafoury, Armstrong & Co. has audited the accompanying financial statements in accordance with generally accepted governmental auditing standards. Their opinion appears in the Financial Section of this publication. The goal of the independent audit is to provide reasonable assurance that the financial statements of the State of Nevada are free of material misstatement. We

received an unqualified opinion on the basic financial statements for this fiscal year.

The independent audit of the financial statements of the State of Nevada is part of a broader, federally mandated Single Audit designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. This report can be found in the Compliance Section of the CAFR as well as in the State of Nevada's separately issued Single Audit Report.

Internal Control Structure: The State of Nevada has established a comprehensive internal control framework that is designed both to safeguard the government's assets against loss from unauthorized use or theft and to properly record and adequately document transactions in order to compile information for the presentation of the State's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the State's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

Many of the essential control features are decentralized. Consequently, the State relies upon the controls in place within the various state departments and agencies. NRS 353A.025 requires the head of each agency to review their internal controls on a biennial basis to determine if the agency is in compliance with the Uniform System of Internal Accounting and Administrative Controls adopted pursuant to NRS 353A.020. Agencies are required to report on, or before, July 1st of even-numbered years the status of their internal controls to the Department of Administration.

In addition to internal controls, the State also maintains budgetary controls to ensure compliance with the biennial financial plan enacted by the Legislature through the Appropriations and Authorized Expenditures Acts. The budgetary controls include the ability to encumber purchase orders to ensure appropriations are not exceeded.

Management's Discussion and Analysis: GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of Government

Background: Originally part of the Utah Territory, the Nevada Territory was created in 1861, and the State admitted to the Union in 1864. Nicknamed the "Silver State" due to the vast quantities of silver mined from the Comstock Lode in the 1800s, Nevada is bordered by California, Oregon, Idaho, Utah and Arizona. The State lies primarily in the Great Basin Desert, the largest U.S. desert bordered by the Sierra Nevada Mountains on the west, the Rocky Mountains on the east, the Columbia Plateau to the north and the Mojave and Sonoran deserts to the south. Approximately 87 percent of our 110,540 square miles of valleys and north-south mountain ranges are owned and managed by the federal government.

The State's economy and tax base are dependent upon the interrelated gaming and tourism industries, as well as upon federal activities, mining, warehousing, manufacturing and agriculture. Over the past decade, Nevada has experienced one of the fastest population growth rates in the nation. The 2000 census showed a 62% increase over 1990, with over 2 million residents now calling Nevada home.

The State operates under a constitution, ratified in 1864, providing for a full range of services, including education, health and social services, highway maintenance and construction, law enforcement, judicial, public safety, business regulation and resource development.

Reporting Entity: The State of Nevada reporting entity reflected in the State of Nevada CAFR, which is more fully described in Note 1 to the basic financial statements, conforms to the requirements of GASB Statement No. 14. The accounting and reporting principles contained in Statement No. 14 are based primarily on the fundamental concept that publicly elected officials are accountable to their constituents and that the financial statements should emphasize the primary government and permit financial statement users to distinguish between the primary government and its component units. State agencies and entities included in this report are those for which the State is considered financially accountable. There are several occupational licensing boards where the State's

accountability is limited to State officials making appointments to the licensing boards. The State does not exercise financial, or administrative, control over these boards, so they are excluded from this report.

There are approximately a dozen state agencies that issue independent financial reports, including the Retirement Systems and the State's two discretely presented component units, the Colorado River Commission and the University and Community College System of Nevada. Copies of these independently audited reports are available upon request from the respective agency.

The State's reporting entity includes two discretely presented component units. A component unit is a legally separate entity which meets one of three conditions: the governing board is appointed by the primary government, the entity is fiscally dependent on the primary government, or excluding the entity could potentially result in misleading financial reporting. The component unit should be blended with the primary government if they share a governing body, and if the component unit almost exclusively provides services or benefits to the primary government; otherwise, it must be presented discretely.

The first discretely presented component unit is the Colorado River Commission. Seven commissioners, four of whom, including the Chairman, are appointed by the Governor, have broad statutory authority to govern the Commission, which is responsible for managing Nevada's interest in water and power resources available from the Colorado River. The Commission is empowered to receive, protect, safeguard and hold in trust all rights, interest and benefits in, and to, the waters of the Colorado River and such power generated thereon to which Nevada is entitled. Activities of the Commission are funded from revenue received from power and water contractors. The Commission also owns land for future development in both the Eldorado Valley and the Mohave Valley in Southern Nevada.

The second discretely presented component unit is the University and Community College System of Nevada. An elected eleven-member Board of Regents supervises the operation of the University System, comprised of two universities, four community colleges and a research institute. Additionally, in the Fall of 2002, Nevada State College in Henderson admitted its first class. The University System receives significant financial support from the State. Enrollment data for the University System is available in Table XVII of the Statistical Section.

Budgetary Process: The State's budget document contains the financial policy of the executive department for each biennial period and shows the balanced relationship between total proposed expenditures and total anticipated revenues. It also includes a means of financing the proposals, historic expenditures data, detailed budget estimates, the State's bonded indebtedness and summary detail to support the general appropriations bill for all proposed expenditures of the two-year period. The Governor is required to submit the proposed budget to the State Legislature 14 days prior to each regular session, which convenes the first Monday in February every odd-numbered year. The Legislature enacts the budget through passage of the General Appropriations Act and the Authorized Expenditures Act. Once passed and signed, the budget becomes the State's financial plan for the next two fiscal years.

NRS 353.213 restricts appropriations by requiring the State to reserve not less than 5% and not more than 10% of the total of all appropriations for operations (including gaming but excluding any one-time appropriations) from the General Fund. NRS 353.288 requires a computed amount of the unrestricted fund balance at the close of each fiscal year be transferred to the "Rainy Day Fund". The Rainy Day Fund balance may not exceed 10% of the total appropriations for the year in which the transfer is being made, and the fund may only be expended if the actual revenues of the State fall short by more than 5% or if the Governor and the Legislature declare a fiscal emergency.

Financial Information

Cash Management: As discussed more fully in Notes 1 and 3 to the basic financial statements, the State Treasurer invests temporarily idle cash in a statewide investment pool. All cash, except for monies in pension trust funds, Unemployment Compensation Fund, statute or Board of Finance approved State agency outside bank accounts and the University System are combined in the State Treasurer's investment pool. Uncommitted balances are invested in collateralized repurchase agreements, bankers' acceptances (only those eligible for discount with the Federal Reserve), commercial paper issued by U.S. corporations (rated A-1, P-1 or better), corporate bonds issued by U.S. corporations (rated A or better) and securities of the U.S. government with most maturities ranging from one day to five years.

The State Treasurer also operates a separate investment pool for local governments to take advantage of the greater interest earnings through pooled investments. The type of securities purchased, and the investment policies are similar, but somewhat more restrictive than those of the State pool.

Debt Management: The State Constitution limits the aggregate principal amount of the general obligation debt to 2% of the total reported assessed property value of the State. Additional disclosures regarding the State's long-term obligations are provided in Note 8 to the basic financial statements.

Risk Management: The State is self-financed against certain property and liability claims. The Public Employees' Benefit Program manages the Self-Insurance Fund for group health insurance. Revenues are generated through charges to employees and departments to pay for contracted insurance and self-funded plans. The Risk Management Division manages the Insurance Premium Trust Fund to provide fidelity, property and workers' compensation coverage. The Insurance Premiums Trust Fund is self-insured for general, civil and vehicle liability claims.

Pension Trust Operations: The Public Employees' Retirement System (PERS) covers most public employees of the State and its political subdivisions. PERS net assets, held in trust for pension benefits, decreased \$164 million in 2002 and the unfunded accrued liability, using the entry age normal cost method, increased \$575 million to \$3,208 million on June 30, 2002. The funded ratio decreased from 84.2% in 2001, to 82.4% in 2002. Under the present plan and actuarial method, the unfunded liability is being amortized over a period of 22 years from July 1, 2002. Additional information is available in the separately issued financial statements of the PERS Actuarial Section.

Economic Outlook: The national economic outlook is clouded in uncertainty. So much has happened over the past fiscal year with the terrorist attacks and subsequent military response, accounting scandals, declining stock markets and the pending threat of war with Iraq. Still, the consensus calls for an economy that will grow in the foreseeable future, but at a slower pace when compared to previous recovery periods. For instance, DRI-WEFA, Inc., a nationally and internationally known forecasting firm under contract with the State of Nevada, is forecasting real GDP growth of just 2.4% in 2002 and 3% in 2003.

Against this backdrop, expectations are for Nevada to gradually rebound. However, as with the U.S. economy, recovery in the Silver State will likely be relatively weak, especially when measured against the high-growth period during most of the 1990's and the year 2000. During that time period, job growth in Nevada averaged over 5% per year. Currently, the Department of Employment, Training and Rehabilitation is forecasting some job growth in Nevada, which will gradually rise to just 3.3% in FY 2005. On a positive note, however, should this occur, it will most likely still leave job growth (and overall economic growth) in the State well in excess of the nation as a whole. DRI-WEFA, Inc., is forecasting national job growth of between 1.4% and 2.6% over roughly the same period.

Major Initiatives

During the last year, Governor Kenny C. Guinn continued to pursue several major initiatives that were central to his 1999 and 2001 State of the State speeches. Many earlier initiatives which were related to state administrative and operational cost savings, education, health care, and long-range planning have been implemented and continue to expand within the state's fiscal constraints. In addition, a number of other key issues emerged following the terrorist attacks and economic downturn of 2001 and the resulting loss of revenue to our tourist-based economy. Facing the challenges of constrained budgets and reduced program funding, the Governor has asked departments to curtail spending by deferring program enhancements and the purchase of much needed equipment, by not filling vacant positions, and by further reducing agency budgets a minimum of 3 percent. At the same time, he has enjoined state employees to continue to seek more effective and efficient ways to improve government services. The major biennial initiatives are:

Child Welfare: Assembly Bill 343 (A.B. 1 of the Special Session) provided for the transfer of selected duties of the State's Division of Child and Family Services, Department of Human Resources, to large counties (those with a population of 100,000 or more). The transfer of duties (including case management functions for foster care and adoption, emergency shelter care, family foster care and other related programs), is aimed at providing a more seamless and accessible system for those affected by these programs. However, due to budgetary constraints, the

transfer is currently being affected only in Washoe County and the scope of the project is being scaled-down. It is anticipated that implementation in Clark County will occur as revenues become available. Services to counties with smaller populations will remain with the state. The stresses exerted on families, especially since September of 2001, have been tremendous, and Nevada's caseload growth in Temporary Assistance for Needy Families had one of the highest expansion rates in the nation, reaching a peak of nearly 70 percent .

Energy: Governor Guinn's energy initiatives have stabilized energy markets in Nevada, assisted new energy projects in obtaining the necessary permitting and siting authorizations, promoted the development of renewable energy in Nevada and supported improvements in energy efficiency in the State and private sectors. In signing Assembly Bill 369 into law the Governor stopped the divestiture of generation plants and provided Sierra Pacific Resources and Nevada Power Company with the regulatory mechanism to recover all prudently incurred energy expenses. The application of this regulatory mechanism by the Public Utilities Commission over the past year has shown that proving prudence is a rigorous process that demands utility companies be accountable for their decisions. Nevada Power disallowances have exceeded \$400 million and Sierra Pacific disallowances have exceeded \$100 million.

Examples of assisting new energy projects include the groundbreaking and construction of five significant generation projects in Southern Nevada which, when energized, will supply more than 2,000 megawatts of energy to the grid, support for gas pipeline and electric transmission line expansions in Southern, Northern and Eastern Nevada, and regular expressions of support for the complete implementation of the renewable portfolio standard. The contracts between the utility and renewable energy providers are imminent. Support for renewable energy is further supported by the outreach and grant support efforts of the Nevada State Office of Energy (NSOE). The NSOE has played an essential role in grant efforts that have resulted in more than \$4 million in support coming to Nevada for technical and financial support for renewable energy and energy efficiency projects. NSOE has also supported extensive outreach efforts to energy consumers including small businesses, low-income households, purchasers of new homes, industrial operations, and state agencies.

Environment and Conservation: Governor Guinn has led the effort in Nevada to ensure our drinking water supplies are safe and public water supply contamination is prevented; to ensure the clarity of Lake Tahoe is maintained and the basin's environment is improved and protected; to work with various organizations to foster and promote development of a native seed production industry to provide a readily available supply of adapted plant materials for use in wildfire restoration efforts. In addition, Nevada's sage grouse conservation efforts have produced a statewide strategy that will directly benefit the state's ecosystems. The recently awarded federal grant funds will establish a revolving loan program in Nevada for the cleanup of contaminated industrial properties. Other funding sources, both private and public, have been received, or are being sought to assist with the threat of bioterrorism, environmental cleanup, hazardous waste reduction and environmental education.

Health Care: Fiscal challenges from the state's economic downturn during the past year have resulted in deferring, or cutting back, many of the 2001 expansion and enhancement proposals for programs that were designed to serve children, families, citizens with disabilities, seniors, and to generally improve the effectiveness of program administration and oversight. Nevertheless, the focus on improving these programs remains strong.

Unemployment and Welfare Divisions: Due to the negative economic impact the September 11, 2001 terrorist attacks had on Nevada, Governor Guinn announced supplemental funding would be made available to aid employees who were subsequently laid off, or lost their jobs. Unemployment benefits were temporarily extended and exempted from counting as earned income for purposes of qualifying for many state family assistance programs such as Temporary Assistance for Needy Families, the Child Health Assurance Program, Low-Income Home Energy Assistance, Nevada Check-Up, and child care assistance programs.

Yucca Mountain: The Nevada Protection Account is being used to fund activities aimed at preventing the location of a federal nuclear waste repository in Nevada. The State of Nevada has filed suit challenging the Department of Energy's final Yucca Mountain Environmental Impact Statement as inadequate and in violation of both the national Environmental Policy Act and the Nuclear Waste Policy Act. In addition, the state has initiated a national education and awareness campaign to emphasize the risks associated with the transportation of nuclear waste through communities all along the transport routes.

Follow-up on Previous Years' Initiatives

Fundamental Review: The Governor's Fundamental Review of State Government, instituted to review state programs and services, continued; however, the structure was revised to focus on specific areas of operation. This year, reports were received from the Department of Corrections, the Department of Personnel, the Nevada Board of Parole Commissioners, the Nevada Juvenile Justice Commission, the State Fire Marshal, and the Department of Public Safety. Recommendations included in these reports have been integrated into agency budgets and procedures.

Millennium Scholarships: This program, funded by revenue from the state's tobacco settlement and aimed at increasing the number of Nevada's students who go on to college, continues to provide scholarships to high school graduates with a B average or better. Students must make application to the program within eight years after graduation from a Nevada high school and use the money for tuition at a Nevada state college or university.

Motor Vehicles Registration and Driver Licensing: The Department of Motor Vehicles (DMV) and Public Safety was divided into two departments, during the 2001 legislative session in order to strengthen administrative and operational efficiencies. The bifurcation has been successfully completed. As a result, the DMV has made use of improved Internet and interactive phone technologies to complete registration and licensure activities which has substantially decreased wait times at DMV offices statewide and reduced turnaround time for most transactions.

Senior Rx: Nevada's privately administered insurance coverage for seniors' prescription medicine, known as Senior Rx, is available to all seniors who have lived in Nevada for more than one year, who are at least 62 years of age, who have income that does not exceed \$21,500 per year, and who do not qualify for prescription coverage under Nevada Medicaid. The plan provides up to \$5,000 in prescription benefits per enrollee and requires only minimal co-payments. Limited to a maximum of 7,500 recipients, the program is functioning at near capacity.

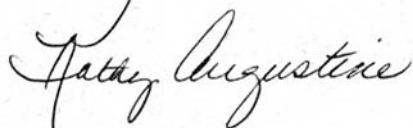
Other Information

GFOA Certificate of Achievement: The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Nevada for its Comprehensive Annual Financial Report for the fiscal year ending June 30, 2001. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A copy of the GFOA Certificate of Achievement is included in the Introductory section of the CAFR.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments and Conclusion: This reports shows the commitment of the Controller's Office staff and myself to inform and clearly demonstrate the financial condition of the State of Nevada to our citizenry and the financial community. Considerable effort and cooperation has been exhibited by all State agencies, the Legislative and the Judicial Branches of government. Without their efforts, this financial report could not have been produced. I extend my sincere appreciation to the leaders in State government for their stewardship, especially John P. Comeaux, Director, and William D. Anderson, Economist, Department of Administration, for their contribution of the major initiatives and economic outlook sections. I would also like to commend the efforts of our auditors, Kafoury, Armstrong & Co.

Respectfully submitted,



Kathy Augustine
Nevada State Controller

State of Nevada Constitutional Officers



Kenny C. Guinn
Governor



Lorraine Hunt
Lieutenant Governor



Dean Heller
Secretary of State



Kathy Augustine
Controller



Brian Krolicki
Treasurer



Frankie Sue Del Papa
Attorney General

Organizational Chart



* Elected Officials

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of
Nevada

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



William Patrick Pate
President

Jeffrey L. Esler
Executive Director

Independent Auditor's Report

The Honorable Kathy Augustine
State Controller

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nevada, as of and for the year ended June 30, 2002, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Nevada's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit:

Government-Wide Financial Statements

- the financial statements of the Housing Division, which represent 64.5 percent of the assets and 16.1 percent of the revenues of the business-type activities;
- the financial statements of the University and Community College System of Nevada and the Colorado River Commission, both of which are discretely presented component units.

Fund Financial Statements

- the financial statements of the Housing Division Enterprise Fund;
- the financial statements of the Self Insurance and Insurance Premiums Internal Service Funds, which in the aggregate represent less than one percent of the assets and 8.2 percent of the revenues and additions of the aggregate remaining fund information;
- the financial statements of the Pension Trust Funds, which in the aggregate represent 87.4 percent of the assets and 20.2 percent of the revenues and additions of the aggregate remaining fund information.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned funds and entities, is based on the report, of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nevada, as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16 to the financial statements, the State of Nevada adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2001. This results in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the State of Nevada's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 19 through 30; and the budgetary comparison schedule, the notes to required supplementary information-budgetary reporting, the schedule of funding progress, and the schedule of infrastructure condition and maintenance data, collectively on pages 95 through 100, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Nevada's basic financial statements. The combining statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections as listed in the table of contents have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and accordingly, we express no opinion on them.



Reno, Nevada
December 13, 2002

KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

State of Nevada management provides this discussion and analysis of the State of Nevada's Comprehensive Annual Financial Report (CAFR) for readers of the State's financial statements. This narrative overview and analysis of the financial activities of the State of Nevada is for the fiscal year ended June 30, 2002. We encourage readers to consider this information in conjunction with the additional information furnished in the letter of transmittal.

Because the State implemented the provisions of the Governmental Accounting Standards Board's (GASB) Statement No. 34 for the first time this fiscal year, certain fund balances from the prior year had to be restated. However, not all financial statements were restated, and therefore, not all comparisons to prior year can be provided. These comparisons will be required information in future years. See Note 16 for further explanation of the changes under GASB 34.

HIGHLIGHTS

Government-wide:

Net Assets – The assets of the State exceeded its liabilities at the close of the fiscal year ended June 30, 2002 by \$4.357 billion (reported as *net assets*). Of the \$4.357 billion in net assets, \$1.229 million was restricted and not available to meet the State's general obligations.

Changes in Net Assets – The State's total net assets (as restated) decreased by \$105.4 million in fiscal year 2002. Net assets of governmental activities decreased by \$91.0 million (a 2.5% decrease), while net assets of the business-type activities showed a decrease of \$14.4 million (a 1.7% decrease).

Fund-level:

At the close of the fiscal year, the State's governmental funds reported a combined ending fund balance of \$1.96 billion, a decrease of \$148.8 million from the prior year (as restated), attributable primarily to the General Fund. Of this amount, \$247.2 million represents the *unreserved fund balance*.

The State's enterprise funds reported a combined ending net assets of \$837.5 million, a decrease of \$13.8 million from the prior year (as restated), attributable primarily to the Unemployment Compensation fund. Of this amount, \$8.6 million represents the *unrestricted net assets*.

The State's fiduciary funds reported a combined ending net assets of \$13.8 billion, a decrease of \$160.6 million from the prior year (as restated), attributable primarily to the Pension Trust Funds and the Investment Trust Funds.

Long-term Debt (government-wide):

The State's long-term debt obligations (as restated) decreased by \$64.0 million (a 1.7% decrease) during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State of Nevada's basic financial statements which is comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements:

The *government-wide financial statements* are designed to provide readers with a broad overview of the State of Nevada's finances in a manner similar to the private sector. They take into account all revenues and expenses connected with the fiscal year regardless of when cash is received or paid.

The government-wide financial statements include the following two statements:

The *statement of net assets* presents *all* of the State's assets and liabilities, with the difference between the two reported as "net assets". The statement combines and consolidates all of the State's current financial resources

with capital assets and long-term obligations. Over time, increases and decreases in net assets measure whether the State's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the State's net assets changed during the most recent fiscal year. The statement reveals how much it costs the State to provide its various services, and whether the services cover their own costs through user fees, charges or grants, or are financed with taxes and other general revenues. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of cash flows. Therefore, some revenue and expenses reported in this statement will not result in cash flows until future fiscal periods (e.g., uncollected taxes and earned but unused leave).

Both government-wide statements above report three types of activities:

Governmental Activities – Taxes and intergovernmental revenues primarily support these activities. Most services normally associated with State government fall into this category, including general government, health and social services, education and support services, law, justice and public safety, regulation of business, transportation, recreation and resource development, intergovernmental, payments to component units, interest on long-term debt and unallocated depreciation.

Business-type Activities – These activities are intended to recover all, or a significant portion, of the costs of the activities by charging fees to customers. The Housing Division and Unemployment Compensation are examples of the State's business-type activities.

Discretely Presented Component Units – Component units are legally separate organizations for which the elected officials of the government are financially accountable or have significant influence in governing board appointments. The State has two discretely presented component units – the University and Community College System of Nevada and the Colorado River Commission. Complete financial statements of the individual component units can be obtained from their respective administrative offices.

Fund Financial Statements:

A fund is an accounting entity consisting of a set of self-balancing accounts to track funding sources and spending for a particular purpose. The State's funds are broken down into three types:

Governmental funds – Most of the State's basic services are reported in governmental funds. These funds focus on short-term inflows and outflows of expendable resources as well as balances left at the end of the fiscal year available to finance future activities. These funds are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

The governmental fund financial statements focus on major funds and provide additional information that is not provided in the government-wide financial statements. It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation is provided between the governmental fund statements and the government-wide financial statements.

Proprietary funds – When the State charges customers for the services it provides, whether to outside customers (enterprise funds) or to other state agencies (internal service funds), the services are generally reported in the proprietary funds. Proprietary funds apply the accrual basis of accounting utilized by private sector businesses, and there is a reconciliation between the government-wide financial statement business-type activities and the proprietary fund financial statements. Because internal service fund operations primarily benefit governmental funds, they are included with the governmental activities in the government-wide financial statements.

Fiduciary funds – These funds are used to account for resources held for the benefit of parties outside the state government. For instance, the State acts as a trustee or fiduciary for its employee pension plans, and it is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These funds are reported using the accrual basis of accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

Notes to the Financial Statements:

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in both the government-wide and fund financial statements.

Required Supplementary Information:

The required supplementary information includes budgetary comparison schedules for the General Fund and major special revenue funds, along with notes and a reconciliation of the statutory and generally accepted accounting principles (GAAP) fund balances at fiscal year end. This section also includes a schedule of funding progress for certain pension trust funds and a schedule of infrastructure condition and maintenance data.

Other Supplementary Information:

Other supplementary information includes combining financial statements for non-major governmental, non-major enterprise, all internal service and all fiduciary funds. The non-major funds are added together, by fund type, and presented in single columns in the basic financial statements. Other supplementary information also contains budgetary schedules of total uses for the General Fund and special revenue fund budgets, as well a schedule of revenues for non-major special revenue fund budgets.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The State's overall financial position and operations for the past year for the primary government are summarized as follows based on the information included in the government-wide financial statements:

State of Nevada's Net Assets-Primary Government

(expressed in thousands)

| | Governmental Activities | Business-Type Activities | Total |
|--|------------------------------------|-------------------------------------|---------------------|
| Assets | | | |
| Current and other assets | \$ 3,696,929 | \$ 2,285,931 | \$ 5,982,860 |
| Net capital assets | 3,924,966 | 2,764 | 3,927,730 |
| Total assets | <u>7,621,895</u> | <u>2,288,695</u> | <u>9,910,590</u> |
| Liabilities | | | |
| Current liabilities | 1,715,839 | 79,301 | 1,795,140 |
| Long-term liabilities | 2,385,833 | 1,372,536 | 3,758,369 |
| Total liabilities | <u>4,101,672</u> | <u>1,451,837</u> | <u>5,553,509</u> |
| Net assets | | | |
| Invested in capital assets, net of related debt | 3,149,657 | 2,659 | 3,152,316 |
| Restricted | 402,535 | 826,190 | 1,228,725 |
| Unrestricted | (31,969) | 8,009 | (23,960) |
| Total net assets | <u>\$ 3,520,223</u> | <u>\$ 836,858</u> | <u>\$ 4,357,081</u> |

Net Assets:

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The State's combined net assets (government and business-type activities) totaled \$4.357 billion at the end of 2002, compared with \$4.462 billion at the end of the previous year (as restated).

The largest portion of the State's net assets (\$3.152 billion or 72.3%) reflects its investment in capital assets such as land, buildings, improvements other than buildings, equipment, construction in progress, infrastructure and right-of-way costs, less any related debt still outstanding that was used to acquire those assets. The State uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State's net assets (\$1.229 billion or 28.2%) represents resources that are subject to external restrictions on how they may be used. The unrestricted balance is a *negative* \$23.9 million because the

State issues general obligation bonds for the University, a discretely presented component unit, for which there are no offsetting assets included in the financial statements of the primary government.

At the end of the current fiscal year, the State is able to report positive balances in two of the three categories of net assets, both for the governmental activities and for the government as a whole. For the business-type activities the State is able to report positive balances in all three categories.

Changes in State of Nevada's Net Assets-Primary Government

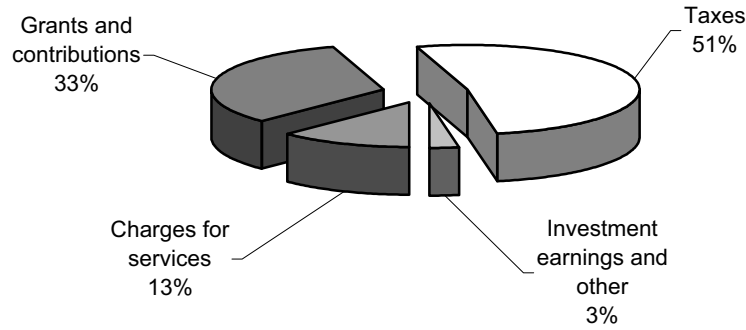
(expressed in thousands)

| | Governmental Activities | Business-Type Activities | Total |
|---|------------------------------------|-------------------------------------|---------------------|
| Revenues | | | |
| Program revenues | | | |
| Charges for services | \$ 528,010 | \$ 106,208 | \$ 634,218 |
| Operating grants and contributions | 1,361,370 | 179,379 | 1,540,749 |
| Capital grants and contributions | 7,210 | - | 7,210 |
| General Revenues | | | |
| Sales and use taxes | 724,399 | - | 724,399 |
| Gaming taxes | 697,482 | - | 697,482 |
| Fuel taxes | 242,670 | - | 242,670 |
| Property taxes | 99,234 | - | 99,234 |
| Other taxes | 415,064 | 240,608 | 655,672 |
| Investment earnings | 35,839 | - | 35,839 |
| Other | 79,188 | 2 | 79,190 |
| Total Revenues | 4,190,466 | 526,197 | 4,716,663 |
| Expenses | | | |
| General government | 184,935 | - | 184,935 |
| Health and social services | 1,554,450 | - | 1,554,450 |
| Education and support services | 970,419 | - | 970,419 |
| Law, justice and public safety | 440,559 | - | 440,559 |
| Regulation of business | 77,914 | - | 77,914 |
| Transportation | 349,025 | - | 349,025 |
| Recreation and resource development | 101,242 | - | 101,242 |
| Intergovernmental - grant & revenue sharing | 93,082 | - | 93,082 |
| Payments to component units | 406,818 | - | 406,818 |
| Interest on long-term debt | 121,092 | - | 121,092 |
| Unallocated depreciation | 1,144 | - | 1,144 |
| Unemployment insurance | - | 407,241 | 407,241 |
| Housing | - | 76,904 | 76,904 |
| Water loans | - | 4,930 | 4,930 |
| Workers compensation and safety | - | 19,581 | 19,581 |
| Other | - | 12,695 | 12,695 |
| Total Expenses | 4,300,680 | 521,351 | 4,822,031 |
| Excess (deficiency) in net assets before transfers | (110,214) | 4,846 | (105,368) |
| Transfers | 19,238 | (19,238) | - |
| Changes in net assets | (90,976) | (14,392) | (105,368) |
| Net Assets, Beginning of Year | 3,611,199 | 851,250 | 4,462,449 |
| Net Assets, End of Year | <u>\$ 3,520,223</u> | <u>\$ 836,858</u> | <u>\$ 4,357,081</u> |

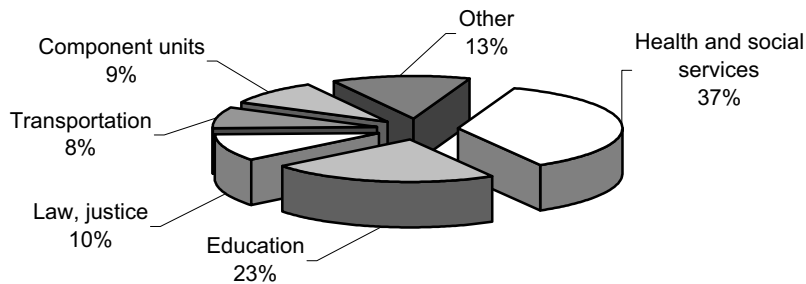
Changes in Net Assets:

Governmental activities –The net assets decreased by \$91.0 million or 2.5%. Approximately 51% of the total revenue came from taxes, while 33% was in the form of grants and contributions (including federal aid). Charges for various goods and services provided 13% of the total revenues (see chart below). The State's governmental activities expenses cover a range of services and the largest expenses were for health and social services (37%) and education (23%) (see chart below). In 2002, governmental activity expenses exceeded program revenues, resulting in the use of \$2.4 billion in general revenues, which were generated to support the government.

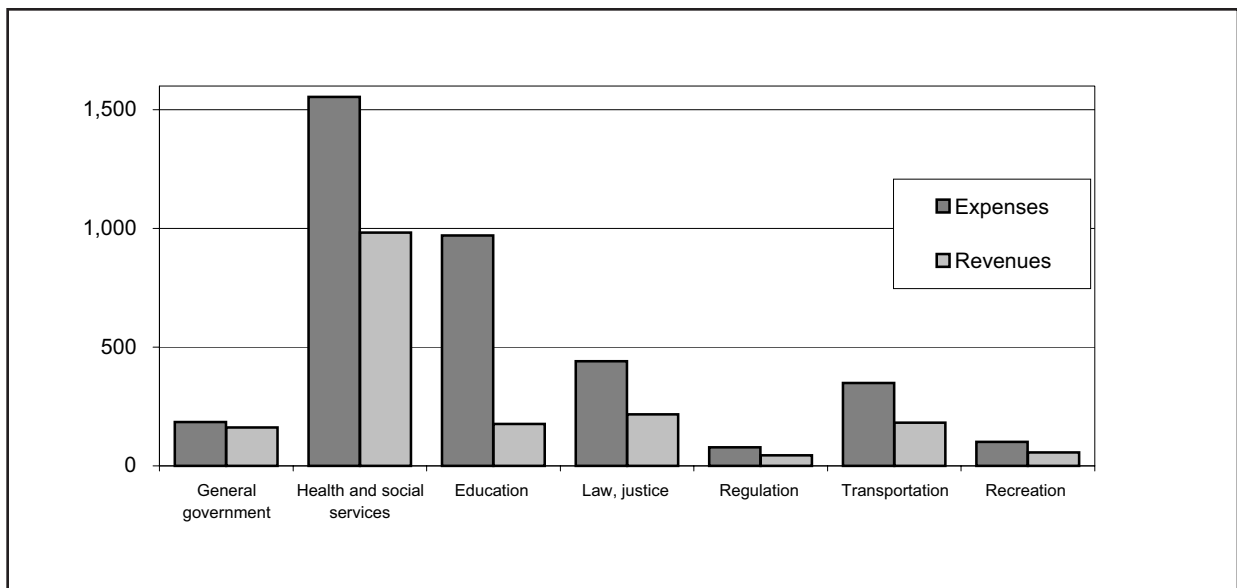
The following chart depicts the governmental activities revenues for the fiscal year:



The following chart depicts the governmental activities expenses for the fiscal year:

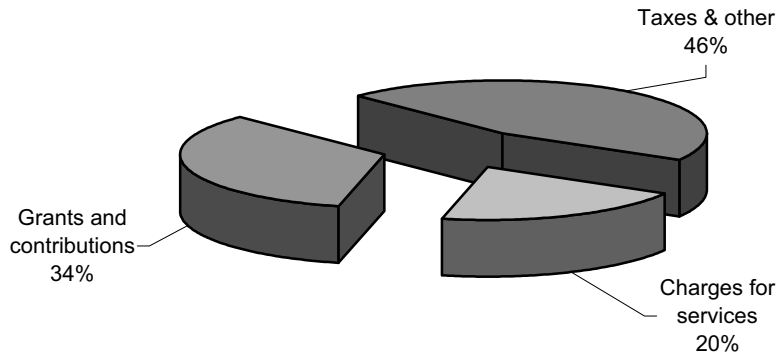


The following chart depicts the total program revenue and expenses for each function for governmental activities:

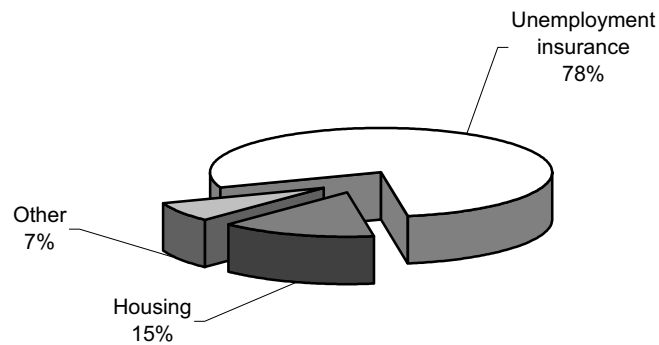


Business-type activities –The net assets decreased by \$14.4 million or 1.7%. Approximately 46% of the total revenue came from taxes and other sources, while 34% was in the form of grants and contributions (including federal aid). Charges for various goods and services provided 20% of the total revenues (see chart below). The State’s business-type activities expenses cover a range of services. The largest expenses were for unemployment compensation (78%) and housing (15%) (see chart below). In 2002, business-type expenses exceeded program revenues, resulting in the use of \$236 million in general revenues generated by and restricted to the Unemployment Compensation Fund.

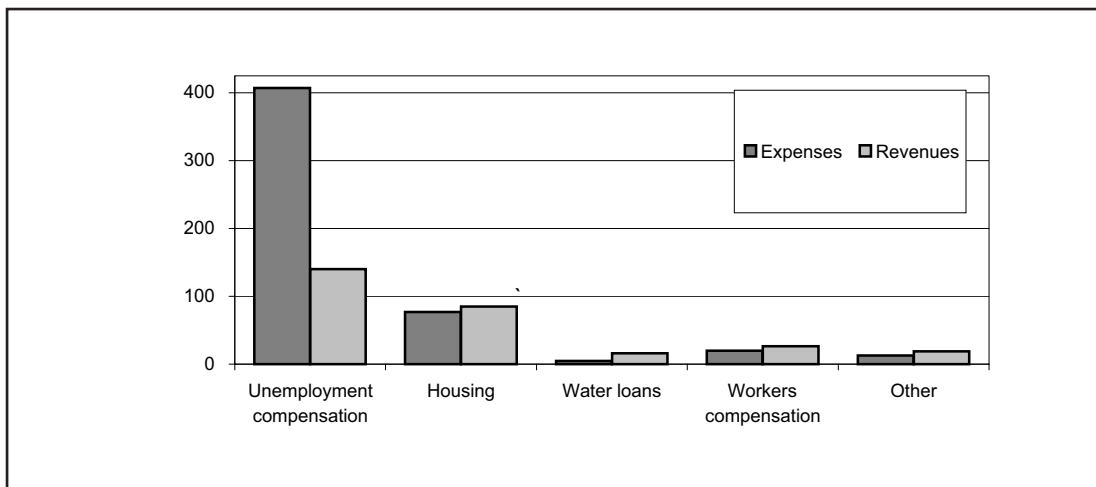
The following chart depicts the business-type activities revenues for the fiscal year:



The following chart depicts the business-type activities expenses for the fiscal year:



The following chart depicts the total program revenue and expenses for each function for business-type activities:



In conclusion, the State government's overall financial position deteriorated over the past fiscal year, with a \$91 million decrease in the net assets of the government-wide activities, caused primarily by the declines in the General Fund and the major internal service funds, and a \$14 million dollar decrease in the net assets of the business-type activities, caused primarily by the decline in the Unemployment Compensation Fund. The economic information presented later in this discussion and analysis provides insight into the conditions of the State that have caused this to occur.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds:

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$1.96 billion, a decrease of \$148.8 million in comparison with the prior year (as restated). Just less than 13% of this total amount constitutes unreserved fund balance, which is available for spending in the coming year. The remainder of fund balance is reserved to indicate it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior fiscal year, to pay debt service, to be held in permanent trust funds or for a variety of other purposes. The major governmental funds are discussed individually below:

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, the total General Fund balance was \$50.7 million, of which (\$167.3) was unreserved. The fund balance decreased by \$186 million during the current fiscal year, which is a 78.6% decrease from the prior year. This was caused primarily by the net effect of the increases in entitlement payments as mentioned below.

The following schedule presents a summary of revenues of the General Fund for the fiscal years ended June 30, 2002 and 2001 (expressed in thousands). Other financing sources are not included. Some of the revenue for 2001 was reclassified to meet the new definitions under GASB 34:

| General Fund Revenues | | | | | | |
|---------------------------------|---------------------|---------------|------------------------|---------------|---------------------|-------------|
| <i>(Expressed in thousands)</i> | | | | | | |
| | 2002 | | 2001 (as reclassified) | | Increase (Decrease) | |
| | Amount | Percent | Amount | Percent | Amount | Percent |
| Gaming taxes, fees & licenses | \$ 681,625 | 22.2% | \$ 702,396 | 24.4% | \$ (20,771) | -3.0% |
| Sales taxes | 718,910 | 23.4% | 714,249 | 24.9% | 4,661 | 0.7% |
| Intergovernmental | 1,104,440 | 36.0% | 917,241 | 31.9% | 187,199 | 20.4% |
| Other taxes | 360,114 | 11.8% | 341,153 | 11.9% | 18,961 | 5.6% |
| Licenses, fees and permits | 109,555 | 3.6% | 91,546 | 3.2% | 18,009 | 19.7% |
| Sales and charges for services | 32,109 | 1.0% | 33,046 | 1.2% | (937) | -2.8% |
| Interest and investment income | 24,474 | 0.8% | 49,647 | 1.7% | (25,173) | -50.7% |
| Other revenues | 36,097 | 1.2% | 23,163 | 0.8% | 12,934 | 55.8% |
| Total revenue | <u>\$ 3,067,324</u> | <u>100.0%</u> | <u>\$ 2,872,441</u> | <u>100.0%</u> | <u>\$ 194,883</u> | <u>6.8%</u> |

The total General Fund revenues increased 6.8%. The largest revenue source, intergovernmental revenues, is predominantly federal funds and there was a 20.4% increase in this category. This was due to the large increase in Medicaid and Welfare payments, which are partially reimbursed by the Federal Government. The 50.7% decrease in interest and investment income was due primarily to decreases in interest rates for short-term investments.

The following schedule presents a summary of expenses by function of the General Fund for the fiscal years ended June 30, 2002 and 2001 (expressed in thousands). Other financing uses are not included. Some of the expenditures for 2001 were reclassified to meet the new definitions under GASB 34:

| General Fund Expenditures | | | | | | |
|----------------------------------|---------------------|---------------|------------------------|---------------|---------------------|--------------|
| <i>(Expressed in thousands)</i> | | | | | | |
| | 2002 | | 2001 (as reclassified) | | Increase (Decrease) | |
| | Amount | Percent | Amount | Percent | Amount | Percent |
| General government | \$ 69,584 | 2.4% | \$ 64,681 | 2.5% | \$ 4,903 | 7.6% |
| Health, social services | 1,465,759 | 49.2% | 1,160,779 | 45.9% | 304,980 | 26.3% |
| Education | 959,105 | 32.2% | 862,993 | 34.1% | 96,112 | 11.1% |
| Law, justice, public safety | 280,915 | 9.4% | 259,922 | 10.3% | 20,993 | 8.1% |
| Regulation of business | 57,694 | 1.9% | 50,916 | 2.0% | 6,778 | 13.3% |
| Recreation | 78,587 | 2.6% | 70,225 | 2.8% | 8,362 | 11.9% |
| Intergovernmental | 66,901 | 2.3% | 58,240 | 2.3% | 8,661 | 14.9% |
| Debt service | 705 | 0.0% | 2,684 | 0.1% | (1,979) | -73.7% |
| Total expenditures | <u>\$ 2,979,250</u> | <u>100.0%</u> | <u>\$ 2,530,440</u> | <u>100.0%</u> | <u>\$ 448,810</u> | <u>17.7%</u> |

The total General Fund expenditures increased 17.7%. Expenditures for health and social services increased over \$304 million or 26.3% due to the increases in Medicaid, Welfare and other entitlement programs because of the economic impact of September 11th.

The State Highway Fund is a special revenue fund used to account for the maintenance, regulation and construction of public highways and is funded through vehicle fuel taxes, federal funds and other charges. The fund balance increased by \$31.6 million during the current fiscal year, which is a 16.6% increase from the prior year. The revenues from taxes and fees have increased because of the population growth in the State, but the highway projects are progressing at a slower rate than in the past year because of difficulty in obtaining rights-of-way and fear of an economic downturn. The unreserved fund balance is \$137 million.

The Municipal Bond Bank Fund is a special revenue fund used to account for revenues and expenditures associated with buying local government bonds with proceeds of State general obligation bonds. The fund balance (as restated) decreased by \$13.2 million during the current fiscal year, which is a 1.2% decrease from the prior year. This decrease is due primarily to a reduction in bond issuances.

The Consolidated Bond Interest and Redemption Fund is a debt service fund used to accumulated monies for the payment of leases and principal and interest on general obligation bonds of the State. The fund balance decreased by \$.4 million during the current fiscal year, which is a 1.1% decrease from the prior year. In addition to the normal operations, there was a \$10 million transfer out to the General Fund of accumulated excess earnings.

The Stabilize the Operations of State Government Fund is a special revenue fund used to account for funds set aside according to Nevada Revised Statutes (NRS) 353.288 to be expended only if actual revenues for the biennium fall short by 5% or more from anticipated revenues, or if the Legislature and the Governor declare a fiscal emergency. This fund is also known as the "Rainy Day" fund. The fund balance remained the same at \$136.3 million during the current fiscal year. There were no additions to the fund during the year because the unrestricted fund balance of the General Fund did not meet the threshold amount needed to make a contribution.

Proprietary Funds:

The State's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Proprietary funds are comprised of two types: enterprise funds and internal service funds. Enterprise funds are used when goods or services are provided primarily to parties outside of the State while internal service funds are used when goods or services are provided primarily to State agencies.

Enterprise Funds – There are only two *major* enterprise funds, the Housing Division fund and the Unemployment Compensation fund. The combined assets of the two major funds comprise over 82% of the total combined net assets of all enterprise funds. Combined net assets of enterprise funds (as restated) decreased by \$13.8 million in 2002. The major enterprise funds are discussed below:

The Housing Division Fund provides low interest loans to first time homebuyers with low or moderate household incomes. The net assets increased by \$5.1 million during the current fiscal year, although the results of operations were down 41% from last year. There was a decline in income primarily attributable to a drop in investment income and a decrease in mortgages yielding more than 6% and an increase in payroll expenses due primarily to a large increase in healthcare benefits.

The Unemployment Compensation Fund accounts for the payment of unemployment compensation benefits to unemployed State citizens. This fund was an expendable trust fund in prior years. The net assets (as restated) decreased by \$27.2 million during the current fiscal year, which is a 4.7% decrease from the prior year. The unemployment claims paid this year were 70% higher than last year primarily because of the effects of September 11th. Although the state received federal grants to offset the higher costs, the claims still exceeded the income.

Internal Service Funds – The internal service funds charge State agencies for goods and services such as building maintenance, purchasing, printing, insurance, data processing and motor pool in order to recover the costs of the goods or services. Rates charged to State agencies for the operations of internal service funds are adjusted in following years to offset gains and losses. Because these are allocations of costs to other funds, they are not included separately in the government-wide financial statements but are eliminated and reclassified as either governmental activities or business-type activities. In 2002, these funds showed a net loss of \$31.3 million, for a final deficit of \$25 million. The two funds contributing most to the deficit are:

The Self-Insurance Fund accounts for group health, life and disability insurance for State employees and retirees and certain other public employees. The fund had a net loss of \$16.3 million for the year, leaving a fund deficit of \$15.9 million. This loss was due primarily to an increase in claims expenses of 34.3%, without a corresponding increase in premiums.

The Insurance Premiums Fund accounts for general, civil (tort), auto and property casualty liabilities of State agencies. The deficit increased by \$14.7 million during fiscal year 2002, to a total deficit of \$32.5 million. The fund has sustained substantial operating losses in recent years. There was an increase in claims expense of 89.9% this year.

ANALYSIS OF GENERAL FUND BUDGET VARIATIONS

The State's tourism and gaming based economy has not escaped the economic downturn affecting the rest of the country. Projected revenue shortfalls mirrored the national economic condition. The General Fund revenue shortfall was \$273 million or 6.5% less than the final budget.

The General Fund expenditure budget increased by \$632 million from the original to the final budget. Much of the increase was due to \$176 million in balances carried forward from the prior fiscal year. Other differences were due to the original budget consisting only of budgets subject to the General Appropriations Act. Many budgets are not part of this original budget and are added later. Some of these revisions included: \$16 million to the general government function for flood relief; \$28 million government-wide for the state employees' salary adjustment; \$80 million in federal grants and state funding to enhance reading skills and career programs; \$93 million to the health and social services function for increased welfare costs; \$13 million to the University for energy bill increases and \$5 million to the education function for "at-risk" programs.

In November 2001, State agencies were asked to voluntarily cut spending as it became apparent that state revenues were declining. Differences between the final budget and actual spending resulted from this voluntary cost cutting as well as a statewide hiring freeze for non-essential positions. The General Fund difference between final budget and actual was \$470 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

The State's capital assets for its governmental and business-type activities as of June 30, 2002, amounts to \$4.4 billion, net of accumulated depreciation of \$472 million, leaving a net book value of \$3.9 billion. This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure, rights-of-way and construction in progress. Infrastructure assets are items that are normally immovable, such as roads and bridges.

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense on infrastructure. Utilization of this approach requires the State to: 1) commit to maintaining and preserving affected assets at or above a condition level established by the State; 2) maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained; and 3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels. To monitor the condition of the roadways the State uses the International Roughness Index (IRI). The State has set a policy that it will maintain a certain percentage of each category of its roadways with an IRI of less than 80 and will also maintain its bridges so that not more than 10% are structurally deficient or functionally obsolete. For this fiscal year, the State has met the requirements of the modified approach, as follows.

Condition Level of the Roadways
Percentage of roadways with an IRI of less than 80

| | <u>Category</u> | | | | |
|---|-----------------|-----------|------------|-----------|----------|
| | <u>I</u> | <u>II</u> | <u>III</u> | <u>IV</u> | <u>V</u> |
| State Policy-minimum percentage | 70% | 65% | 60% | 40% | 10% |
| Actual results of 2001 condition assessment | 83% | 77% | 86% | 65% | 19% |

Condition Level of the Bridges
Percentage of substandard bridges

| | |
|---|-----|
| State Policy-maximum percentage | 10% |
| Actual results of 2001 condition assessment | 6% |

The estimated amount necessary to maintain and preserve infrastructure assets at target condition levels exceeded the actual amounts of expense incurred for fiscal year 2002 by \$119.7 million. This is due to an overall trend in the Department of Transportation to delay construction and maintenance/preservation activities of assets as a result of the uncertainty in the economy created by the events of September 11th. Even though actual spending for maintenance and preservation of infrastructure assets fell below estimated, condition levels are expected to continue to meet or exceed the target condition levels, as the most recent condition assessment indicates that the State already exceeds the established benchmarks in all categories. See the Schedule of Infrastructure Condition and Maintenance Data for more detailed information about the State's infrastructure.

To keep pace with the demands of a growing population and economy, the State also has a substantial capital projects program. The following is a summary of major projects in progress or approved during 2002 (expressed in millions):

| | <u>Expended by June 30, 2002</u> | <u>Total Budget</u> |
|--|--------------------------------------|---------------------|
| High Desert State Prison, Phase I, Indian Springs | \$91.6 | \$91.9 |
| High Desert State Prison, Phase II, Indian Springs | 45.2 | 46.7 |
| High Desert State Prison, Phase III, Indian Springs | 0.1 | 49.0 |
| Integrated Financial System | 35.1 | 35.1 |
| Southern Nevada Veterans Home, Las Vegas | 20.2 | 21.1 |
| Nevada National Guard State Command Complex, Carson City | 8.7 | 11.1 |
| Nevada Highway Patrol Office Building, Las Vegas | 0.1 | 15.2 |
| Nevada Mental Health Institute Hospital, Sparks | 9.9 | 10.0 |

The total increase in the State's capital assets for the primary government for the current fiscal year was \$175 million or about 2.3% in terms of net book value. This increase included current expenditures to purchase capital assets and completed projects from construction in progress. Depreciation charges for the year totaled \$54 million.

Additional information on the State's capital assets can be found in Note 7 to the financial statements.

Debt Administration:

As of year-end, the State had \$3.758 billion in long-term debt outstanding, compared to \$3.823 billion last year, a decrease of \$64.0 million or 1.7% during the current fiscal year. The key factor in this decrease was the payoff of the Federal Repayment Contract for approximately \$116 million.

The most current bond ratings from Fitch, Standard and Poor's and Moody's Investor Service were AAA, AAA and Aaa, respectively. These ratings reflect a good economic base and sound financial management. The Constitution of the State limits the aggregate principal amount of the general obligation debt to 2% of the total reported assessed property value of the State.

New bonds issued during the 2002 fiscal year and still outstanding at year end were (*expressed in thousands*):

| | | |
|--|-------------|-----------|
| General Obligation Capital Improvement | 09/01/2001A | \$ 54,430 |
| General Obligation Capital Improvement and Refunding | 02/01/2002A | 48,895 |
| General Obligation Safe Drinking Water | 09/01/2001C | 1,560 |
| General Obligation Natural Resources | 09/01/2001B | 16,200 |
| General Obligation Fish Hatchery Improvement and Refunding | 02/01/2002B | 4,285 |
| Nevada Municipal Bond Bank Project 72, 73 and 74 | 02/01/2002C | 9,015 |
| Housing Single Family Refunding 2001 Issue C | 11/9/2001C | 15,000 |
| Housing Single Family Refunding 2002 Series 1 and 2 | 3/06/2002 | 44,030 |
| Housing Single Family Refunding 2002 Issue A | 3/22/2002A | 30,000 |
| Housing Multi-unit Lake Vista | 09/28/2001 | 2,750 |
| Housing Multi-unit Parkside Gardens | 11/29/2001 | 11,270 |
| Housing Multi-unit Villanova | 12/05/2001 | 19,900 |
| Housing Multi-unit Silver Creek | 12/05/2001 | 13,540 |
| Housing Multi-unit City Center Las Vegas | 03/27/2002 | 14,000 |
| Housing Multi-unit Silver Pines | 04/18/2002 | 11,800 |
| Housing Multi-unit Oakmont at Reno | 06/06/2002 | 4,350 |
| Housing Multi-unit Parkway Plaza | 04/30/2002 | 13,250 |
| CRC Hoover Uprating Refunding | 10/01/2001 | 6,305 |

This list of new bonds does not agree completely with the schedule of additions to bonds payable as seen in Note 8 to the financial statements, due to the inclusion of accreted interest, deferred items and bonds redeemed prior to year end.

Additional information on the State's long-term debt obligations can be found in Note 8 to the financial statements and in the Statistical Section.

ECONOMIC CONDITION AND OUTLOOK

The Nevada economy has struggled since mid-2001. Prior to the terrorist attacks of September 11th of that year, there were some signs that economic conditions were easing slightly. However, since then, the across-the-board decline in the State's economic health is undeniable. Practically every indicator of the economy's performance—jobs, income, gaming activity, etc.—has deteriorated, if not in actual terms, at least with respect to growth rates.

As a result, the State's fiscal health has been impacted significantly. Nevada's largest revenue source, the sales tax, barely managed to surpass year-ago readings in FY 2002. The second largest revenue source, percentage fee collections from gaming operations, failed to match FY 2001 collections. Needless to say, General Fund revenue fell well short of the projections upon which the FY 2002 budget was built.

Nationally, it has been determined that the economy officially fell into recession in March 2001. While an official end to the downturn has yet to be identified, the consensus among those that track the economy is that it was most likely near the end of calendar year 2001. If that is the case, the unfolding recovery is proving to be relatively weak. Job gains, at best, are minimal, the financial markets are struggling, and considerable uncertainty on a number of fronts, both domestic and international, is resulting in a recovery that, to date, is very hesitant.

Visitor Volume:

Nevada's tourism-based economy is driven by visitor volume. While visitor volume growth was positive prior to then, the events of September 11, 2001 reversed what gains there were, pushing down visitor numbers. For instance, for the fiscal year ended June 2001, Las Vegas visitor volume growth came in at 2.5%, down considerably from the near 10% gain in the prior year. However, as FY 2002 unfolded, the impacts of September's catastrophic events brought about outright declines in visitors. September 2001 visitors were down over 14% from the prior year. In fact, visitor declines of at least 5% were registered in every month between September and December. Declines continued through the first six months of 2002, but the losses were not as pronounced. All told, FY 2002 Las Vegas visitor volume was off 4.1%. To put this in perspective, the most pronounced declines in visitor volume during the recessions of the early 1980s were less than 1%. During the downturn in the early 1990s, visitor growth remained positive, never falling below 2.7% in any fiscal year.

Labor Markets:

Recent employment-related trends also highlight the reversal of Nevada's economic fortunes since mid-2001. During calendar year 2000, job growth in Nevada hovered between 4% and 5%. While growth was easing by September 2001, the terrorist attacks pushed job growth negative. Department of Employment, Training, and Rehabilitation preliminary estimates suggest that jobs declined in each of the final three quarters of FY 2002. Historically, job growth in Nevada has surpassed that for the nation as a whole. Despite the deterioration in the State's labor markets of late, trends have still held up well relative to the nation as a whole.

Taxable Sales:

The State's largest General Fund revenue source is the sales tax. Here, too, the economy's slowdown during FY 2002 is evident. Total taxable sales grew at a 5.8% pace in FY 2001. But in FY 2002, sales actually declined 0.5%. Sales in eating and drinking establishments represent the largest sales category. The impact of September 2001's events on tourism are clear in looking at developments in these sales. During FY 2001, sales were up 8%, driven, in part, by continued visitor volume growth in response to the completion of a number of new megaresort projects on the Las Vegas Strip. In FY 2002, sales declined by 1.4%. All of the decline occurred during September and beyond. During July and August, the first two months of FY 2002, eating and drinking sales were up 2.6%. The downward pressure on sales was not across the board. In the State's second largest sales category, autos, FY 2002 sales were up 9%, spurred on by attractive financing packages. During the prior year, auto-related sales were up 6%.

Gaming Win:

Gaming activity soared during the late 1990s in response to the most recent round of expansions. Even in FY 2001, gaming win grew 2.5%. However, conditions in FY 2002 deteriorated markedly throughout much of the year, and gaming win ended the year off by 2.9% from FY 2001. Declines were especially pronounced on the games and tables side, where win was off by 7.2%. For the less volatile slots, win was off just 0.5%.

In conclusion, all of the above factors will be considered by legislative leaders and management in preparing the State's budget for future years. Of special consideration are the proposals made by the Governor's Task Force on Tax Policy. The results of the task force led to a multi-tiered proposal of tax hikes on cigarettes, liquor and property, and new levies on entertainment and business receipts that will be considered during the next legislative session. Although final tax revenue projections for the 2003-05 biennium released by the Nevada Economic Forum show that Nevada's economy is slowly climbing out of recession, projected revenues on current taxes for the upcoming biennium are still about \$800 million short of what is needed to keep State services at their current level. Therefore, the decisions made during the upcoming legislative session will be a key factor in the future of Nevada's financial position.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State of Nevada's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: State of Nevada, Office of the State Controller, 101 N. Carson Street, Suite 5, Carson City, NV 89701 - 4786.

Statement of Net Assets

State of Nevada

June 30, 2002 (Expressed in Thousands)

| | Primary Government | | | Component Units | |
|---|-------------------------|--------------------------|------------------|---------------------------|-------------------|
| | Governmental Activities | Business-Type Activities | Total | Colorado River Commission | University System |
| Assets | | | | | |
| Cash and pooled investments | \$ 983,464 | \$ 556,072 | \$ 1,539,536 | \$ 47,366 | \$ 47,354 |
| Investments | 1,183,022 | 479,300 | 1,662,322 | - | 378,445 |
| Collateral on loaned securities | 542,585 | 34,593 | 577,178 | 32,960 | - |
| Food stamp coupons | 15,299 | - | 15,299 | - | - |
| Internal balances | 616 | (616) | - | - | - |
| Due from the state | - | - | - | 450 | 78,915 |
| Accounts receivable | 28,743 | 1,338 | 30,081 | 13,153 | 105,467 |
| Taxes/assessments receivable | 489,659 | 78,315 | 567,974 | - | - |
| Intergovernmental receivables | 389,043 | 1,980 | 391,023 | - | 26,884 |
| Accrued interest and dividends | 14,903 | 11,643 | 26,546 | 459 | - |
| Mortgages receivable | - | 939,691 | 939,691 | - | - |
| Notes/loans receivable | 862 | 61,191 | 62,053 | - | 10,014 |
| Other receivables | 3,044 | - | 3,044 | - | - |
| Inventory | 10,832 | 1,581 | 12,413 | - | 4,803 |
| Prepaid expenses | 33,576 | 50 | 33,626 | 43,379 | - |
| Deferred charges | 683 | 10,992 | 11,675 | - | - |
| Restricted assets: | | | | | |
| Cash | - | - | - | 14,650 | 9,977 |
| Noncash | - | 105,685 | 105,685 | - | - |
| Other assets | 598 | 4,116 | 4,714 | - | 2,552 |
| Capital assets: | | | | | |
| Land, infrastructure and construction in progress | 3,201,022 | 435 | 3,201,457 | 4,429 | 85,496 |
| Other capital assets, net of depreciation | 723,944 | 2,329 | 726,273 | 72,199 | 904,253 |
| Total capital assets | 3,924,966 | 2,764 | 3,927,730 | 76,628 | 989,749 |
| Total assets | 7,621,895 | 2,288,695 | 9,910,590 | 229,045 | 1,654,160 |
| Liabilities | | | | | |
| Accounts payable | 492,657 | 22,020 | 514,677 | 14,135 | 24,816 |
| Accrued payroll and related liabilities | 46,194 | 667 | 46,861 | - | 18,780 |
| Intergovernmental payables | 57,586 | 5 | 57,591 | - | 7,294 |
| Interest payable | 30,667 | 17,096 | 47,763 | - | 4,180 |
| Due to component unit | 79,343 | 22 | 79,365 | - | - |
| Contracts/retentions payable | 19,672 | - | 19,672 | - | - |
| Obligations under securities lending | 542,585 | 34,593 | 577,178 | 32,960 | - |
| Deferred revenues | 354,487 | 4,891 | 359,378 | - | 24,830 |
| Reserve for losses | 63,218 | - | 63,218 | - | - |
| Other liabilities | 29,432 | 7 | 29,439 | 48,238 | 6,472 |
| Long-term liabilities: | | | | | |
| Portion due or payable within one year: | | | | | |
| Obligations under capital leases | 1,675 | - | 1,675 | - | 1,478 |
| Compensated absences | 46,916 | 813 | 47,729 | - | 20,551 |
| Bonds payable | 89,765 | 74,521 | 164,286 | 1,045 | 7,022 |

| | | | | | |
|---|------------------|------------------|------------------|----------------|----------------|
| Certificates of participation payable | 630 | - | 630 | - | - |
| <i>Portion due or payable after one year:</i> | | | | | |
| Obligations under capital leases | 3,726 | - | 3,726 | - | 9,461 |
| Compensated absences | 27,435 | 430 | 27,865 | 171 | 7,478 |
| Bonds payable | 2,187,968 | 1,296,729 | 3,484,697 | 121,172 | 172,928 |
| Certificates of participation payable | 13,765 | - | 13,765 | - | - |
| Arbitrage rebate liability | 562 | 43 | 605 | - | - |
| Judicial retirement system net pension obligation | 13,389 | - | 13,389 | - | - |
| Total liabilities | 4,101,672 | 1,451,837 | 5,553,509 | 217,721 | 305,290 |

Net Assets

| | | | | | |
|---|---------------------|-------------------|---------------------|------------------|---------------------|
| Invested in capital assets, net of related debt | 3,149,657 | 2,659 | 3,152,316 | 170 | 825,002 |
| Restricted for: | | | | | |
| Unemployment compensation | - | 548,532 | 548,532 | - | - |
| Security of outstanding obligations | - | 138,838 | 138,838 | - | - |
| Workers compensation | - | 23,831 | 23,831 | - | - |
| Capital projects | - | - | - | - | 167,852 |
| Debt service | 5,301 | - | 5,301 | - | 2,373 |
| Education and support services | 1,140 | - | 1,140 | - | - |
| Transportation | 206,041 | - | 206,041 | - | - |
| Recreation and resource development | 38,914 | 114,288 | 153,202 | - | - |
| Law, justice and public safety | 5,018 | - | 5,018 | - | - |
| Health and social services | 39,178 | - | 39,178 | - | - |
| Regulation of business | 7,870 | 701 | 8,571 | - | - |
| Municipal securities | 4,019 | - | 4,019 | - | - |
| Scholarships | - | - | - | - | 88,018 |
| Loans | - | - | - | - | 4,334 |
| Operations and maintenance | - | - | - | 707 | - |
| Funds held as permanent investments: | | | | | |
| Nonexpendable | 95,033 | - | 95,033 | - | 109,070 |
| Expendable | 21 | - | 21 | - | - |
| Unrestricted (deficit) | (31,969) | 8,009 | (23,960) | 10,447 | 152,221 |
| Total net assets | \$ 3,520,223 | \$ 836,858 | \$ 4,357,081 | \$ 11,324 | \$ 1,348,870 |

The notes to the financial statements are an integral part of this statement.

Statement of Activities

State of Nevada

For the Fiscal Year Ended June 30, 2002 (Expressed in Thousands)

| Functions/Programs | Program Revenues | | | | Net (Expenses) Revenues and Changes in Net Assets | | | | Component Units | |
|--|----------------------|------------------------------------|----------------------------------|-------------------------|---|--------------------------|--------------------------|------|-----------------|-----------|
| | Charges for Services | | Capital Grants and Contributions | | Primary Government | | Business-type Activities | | | Total |
| | Expenses | Operating Grants and Contributions | Contributions | Governmental Activities | Governmental Activities | Business-type Activities | Total | | | |
| Primary Government | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 184,935 | \$ 141,442 | \$ 19,897 | \$ - | \$ (23,596) | \$ - | \$ (23,596) | \$ - | \$ (23,596) | \$ - |
| Health and social services | 1,554,450 | 106,846 | 875,174 | 8 | (572,422) | - | (572,422) | - | (572,422) | - |
| Education and support services | 970,419 | 2,901 | 173,254 | 445 | (793,819) | - | (793,819) | - | (793,819) | - |
| Law, justice and public safety | 440,559 | 187,717 | 24,947 | 4,962 | (222,933) | - | (222,933) | - | (222,933) | - |
| Regulation of business | 77,914 | 40,123 | 3,870 | - | (33,921) | - | (33,921) | - | (33,921) | - |
| Transportation | 349,025 | 13,983 | 166,612 | 1,188 | (167,242) | - | (167,242) | - | (167,242) | - |
| Recreation and resource development | 101,242 | 34,998 | 20,699 | 607 | (44,938) | - | (44,938) | - | (44,938) | - |
| Intergovernmental - grants and revenue sharing | 93,082 | - | - | - | (93,082) | - | (93,082) | - | (93,082) | - |
| Payments to component units | 406,818 | - | - | - | (406,818) | - | (406,818) | - | (406,818) | - |
| Debt service received from local governments | - | - | 76,917 | - | 76,917 | - | 76,917 | - | 76,917 | - |
| Interest on long-term debt | 121,092 | - | - | - | (121,092) | - | (121,092) | - | (121,092) | - |
| Unallocated depreciation | 1,144 | - | - | - | (1,144) | - | (1,144) | - | (1,144) | - |
| Total government activities | 4,300,680 | 528,010 | 1,361,370 | 7,210 | (2,404,090) | - | (2,404,090) | - | (2,404,090) | - |
| Business-type activities: | | | | | | | | | | |
| Unemployment insurance | 407,241 | - | 139,399 | - | - | - | (267,842) | - | (267,842) | - |
| Housing | 76,904 | 61,682 | 23,074 | - | - | - | 7,852 | - | 7,852 | - |
| Water loans | 4,930 | 3,355 | 12,828 | - | - | - | 11,253 | - | 11,253 | - |
| Workers compensation and safety | 19,581 | 22,694 | 3,812 | - | - | - | 6,925 | - | 6,925 | - |
| Other | 12,695 | 18,477 | 266 | - | - | - | 6,048 | - | 6,048 | - |
| Total business-type activities | 521,351 | 106,208 | 179,379 | - | - | - | (235,764) | - | (235,764) | - |
| Total primary government | \$ 4,822,031 | \$ 634,218 | \$ 1,540,749 | \$ 7,210 | (2,404,090) | - | (235,764) | - | (2,639,854) | - |
| Component Units | | | | | | | | | | |
| Colorado River Commission | \$ 162,577 | \$ 163,501 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | 924 |
| University System | 876,793 | 246,737 | 310,388 | 10,094 | - | - | - | - | - | (309,574) |
| Total component units | \$ 1,039,370 | \$ 410,238 | \$ 310,388 | \$ 10,094 | \$ - | \$ - | \$ - | \$ - | \$ - | (308,650) |
| General revenues: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Sales and use | | | | | 660,558 | | | | | 660,558 |
| Gaming | | | | | 659,053 | | | | | 659,053 |
| Fuel | | | | | 3,304 | | | | | 3,304 |
| Other | | | | | 383,442 | | | | | 383,442 |
| Restricted for unemployment compensation: | | | | | | | | | | |
| Other taxes | | | | | - | | 240,608 | | | 240,608 |
| Restricted for educational purposes: | | | | | | | | | | |
| Sales and use taxes | | | | | 63,841 | | | | | 63,841 |

| | | | | |
|--|--------------|------------|--------------|--------------|
| Gaming taxes | 38,429 | - | 38,429 | - |
| Restricted for debt service purposes: | | | | |
| Property taxes | 78,659 | - | 78,659 | - |
| Fuel taxes | 13,051 | - | 13,051 | - |
| Restricted for recreation and resource development purposes: | | | | |
| Other taxes | 24,353 | - | 24,353 | - |
| Restricted for health and social services purposes: | | | | |
| Property taxes | 20,575 | - | 20,575 | - |
| Other taxes | 6,830 | - | 6,830 | - |
| Restricted for transportation purposes: | | | | |
| Fuel taxes | 226,315 | - | 226,315 | - |
| Restricted for regulation purposes: | | | | |
| Other taxes | 439 | - | 439 | - |
| Contributions to permanent funds | 8,759 | - | 8,759 | 1,137 |
| Tobacco settlement income | 44,628 | - | 44,628 | - |
| Unrestricted investment earnings | 35,839 | - | 35,839 | (3,063) |
| Gain on sale of assets | - | 2 | 2 | - |
| Other general revenues | 25,801 | - | 25,801 | 49 |
| Payments from State of Nevada | - | - | - | 406,818 |
| Transfers | 19,238 | (19,238) | - | - |
| Total general revenues, special items, and transfers | 2,313,114 | 221,372 | 2,534,486 | 404,941 |
| Change in net assets | (90,976) | (14,392) | (105,368) | 96,291 |
| Net assets - beginning (as restated) | 3,611,199 | 851,250 | 4,462,449 | 1,263,903 |
| Net assets - ending | \$ 3,520,223 | \$ 836,858 | \$ 4,357,081 | \$ 1,360,194 |

The notes to the financial statements are an integral part of this statement.

Balance Sheet Governmental Funds

June 30, 2002

| | General Fund | State Highway | Municipal Bond Bank |
|--|-------------------------|-----------------------|-------------------------|
| Assets | | | |
| <i>Cash and pooled investments:</i> | | | |
| Cash with treasurer | \$ 111,088,539 | \$ 236,763,509 | \$ 2,791,973 |
| Cash in custody of other officials | 9,444,593 | 83,858 | - |
| Investments | 4,033,477 | - | 1,090,275,000 |
| Collateral on loaned securities | 214,371,597 | 119,904,958 | 8,372,458 |
| Food stamp coupons | 15,299,024 | - | - |
| <i>Receivables:</i> | | | |
| Accounts receivable | 18,939,093 | 4,859,372 | - |
| Taxes receivable | 442,366,078 | 40,693,318 | - |
| Intergovernmental receivables | 165,982,117 | 10,286,163 | - |
| Accrued interest and dividends | 13,683,714 | - | - |
| Notes/loans receivable | 620,947 | 3,470 | - |
| Other receivables | 53,766 | 1,667 | - |
| Due from other funds | 47,819,990 | 6,886,765 | 27,862 |
| Due from fiduciary funds | 155,581 | - | - |
| Due from component unit | 1,314,940 | 266 | - |
| Inventory | - | 8,773,607 | - |
| Advances to other funds | 6,417,874 | 15,494 | - |
| Advances to fiduciary funds | 2,986,187 | - | - |
| Prepaid items | 29,313,990 | 247,368 | - |
| Total assets | \$ 1,083,891,507 | \$ 428,519,815 | \$ 1,101,467,293 |
| Liabilities and Fund Balances | | | |
| <i>Accounts payable and accruals:</i> | | | |
| Accounts payable | \$ 184,565,156 | \$ 20,392,166 | \$ 250 |
| Accrued payroll and related liabilities | 27,715,895 | 11,433,802 | - |
| Intergovernmental payables | 53,037,476 | 2,359,207 | - |
| Interest payable | - | - | - |
| Contracts/retentions payable | 338,158 | 9,740,729 | - |
| Obligations under securities lending | 214,371,597 | 119,904,958 | 8,372,458 |
| Due to other funds | 28,605,197 | 36,011,446 | 2,340,042 |
| Due to fiduciary funds | 274,325,662 | 2,133,634 | - |
| Due to component unit | 8,617,508 | 236,612 | - |
| Advances from general fund | - | - | - |
| Deferred revenues | 213,856,893 | 3,141,849 | 325,000 |
| Bonds payable | - | - | - |
| <i>Other liabilities:</i> | | | |
| Other | 27,710,222 | 1,260,882 | - |
| Total liabilities | 1,033,143,764 | 206,615,285 | 11,037,750 |
| Fund balances: | | | |
| <i>Reserved:</i> | | | |
| Encumbrances and contracts | 3,916,361 | 55,346,472 | - |
| Inventories | - | 8,773,607 | - |
| Advances | 9,404,061 | 15,494 | - |
| Balances forward | 174,788,905 | 20,633,011 | - |
| Investment in municipal securities | - | - | 1,090,429,543 |
| Permanent fund principal | - | - | - |
| Fiscal emergency | - | - | - |
| Debt service | - | - | - |
| Other | 29,934,937 | 247,368 | - |
| Unreserved | (167,296,521) | 136,888,578 | - |
| <i>Unreserved, reported in nonmajor:</i> | | | |
| Special revenue funds | - | - | - |
| Capital project funds | - | - | - |
| Permanent funds | - | - | - |
| Total fund balances | 50,747,743 | 221,904,530 | 1,090,429,543 |
| Total liabilities and fund balances | \$ 1,083,891,507 | \$ 428,519,815 | \$ 1,101,467,293 |

The notes to the financial statements are an integral part of this statement.



| Cons Bond Interest and Redemption | Stabilize the Operations of State Government | Other Governmental Funds | Total Governmental Funds |
|-----------------------------------|--|--------------------------|--------------------------|
| \$ 46,651,272 | \$ 136,340,970 | \$ 407,712,852 | \$ 941,349,115 |
| - | - | 684,320 | 10,212,771 |
| - | - | 88,713,492 | 1,183,021,969 |
| 78,891,184 | - | 114,491,939 | 536,032,136 |
| - | - | - | 15,299,024 |
| - | - | 3,988,261 | 27,786,726 |
| - | - | 6,599,159 | 489,658,555 |
| 196,764,700 | - | 4,695,335 | 377,728,315 |
| - | - | 1,219,342 | 14,903,056 |
| - | - | 73,536 | 697,953 |
| - | - | 1,909 | 57,342 |
| 3,876,471 | - | 39,346,677 | 97,957,765 |
| - | - | 360,468 | 516,049 |
| - | - | 50 | 1,315,256 |
| - | - | 1,342,919 | 10,116,526 |
| 3,400,054 | - | - | 9,833,422 |
| - | - | - | 2,986,187 |
| - | - | 3,871,226 | 33,432,584 |
| <u>\$ 329,583,681</u> | <u>\$ 136,340,970</u> | <u>\$ 673,101,485</u> | <u>\$ 3,752,904,751</u> |
| \$ 3,725 | \$ - | \$ 5,922,301 | \$ 210,883,598 |
| - | - | 2,793,015 | 41,942,712 |
| - | - | 2,186,309 | 57,582,992 |
| 5,900,355 | - | - | 5,900,355 |
| - | - | 9,593,223 | 19,672,110 |
| 78,891,184 | - | 114,491,939 | 536,032,136 |
| - | - | 37,442,848 | 104,399,533 |
| - | - | 65,142 | 276,524,438 |
| - | - | 72,091,063 | 80,945,183 |
| - | - | 590,796 | 590,796 |
| 197,831,334 | - | 4,646,866 | 419,801,942 |
| 9,115,000 | - | - | 9,115,000 |
| - | - | 460,741 | 29,431,845 |
| <u>291,741,598</u> | <u>-</u> | <u>250,284,243</u> | <u>1,792,822,640</u> |
| - | - | 13,686,304 | 72,949,137 |
| - | - | 1,342,919 | 10,116,526 |
| 3,400,054 | - | - | 12,819,609 |
| - | - | - | 195,421,916 |
| - | - | - | 1,090,429,543 |
| - | - | 95,033,208 | 95,033,208 |
| - | 136,340,970 | - | 136,340,970 |
| 34,442,029 | - | 5,301,226 | 39,743,255 |
| - | - | 29,832,535 | 60,014,840 |
| - | - | - | (30,407,943) |
| - | - | 226,247,477 | 226,247,477 |
| - | - | 51,352,393 | 51,352,393 |
| - | - | 21,180 | 21,180 |
| <u>37,842,083</u> | <u>136,340,970</u> | <u>422,817,242</u> | <u>1,960,082,111</u> |
| <u>\$ 329,583,681</u> | <u>\$ 136,340,970</u> | <u>\$ 673,101,485</u> | <u>\$ 3,752,904,751</u> |

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

State
of
Nevada

June 30, 2002

Total fund balances - governmental funds \$ 1,960,082,111

Amounts reported for governmental activities in the statement of nets assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

| | | |
|-----------------------------------|---------------|----------------------|
| Land | 453,694,426 | |
| Infrastructure assets | 2,524,111,890 | |
| Buildings | 744,582,992 | |
| Improvements other than buildings | 72,007,887 | |
| Furniture and equipment | 310,841,731 | |
| Construction in progress | 220,328,595 | |
| Accumulated depreciation | (421,414,726) | |
| Total capital assets | | 3,904,152,795 |

Some of the State's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. 65,341,075

A portion of the interest accrued on bonds payable (not reported in the funds) is due from local governments. 10,707,601

The Judicial Retirement System pension plan has a net pension obligation not reported as an expenditure in the funds. (13,389,455)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. (24,349,958)

The deferred loss on early retirement of debt is reported as a deferred charge on the statement of net assets and is amortized over the original remaining life of the old debt, or the life of the new debt, whichever is less. 682,543

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

| | | |
|------------------------------------|-----------------|------------------------|
| Bonds payable | (2,267,861,076) | |
| Accrued interest on bonds | (24,766,259) | |
| Arbitrage rebate liability | (562,494) | |
| Certificates of participation | (14,395,000) | |
| Capital leases | (3,900,112) | |
| Compensated absences | (71,518,668) | |
| Total long-term liabilities | | (2,383,003,609) |

Net assets of governmental activities \$ 3,520,223,103

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For the Fiscal Year Ended June 30, 2002

| | General Fund | State Highway | Municipal Bond Bank | Cons Bond Interest and Redemption |
|--|----------------------|-----------------------|-------------------------|---|
| Revenues | | | | |
| Gaming taxes, fees, licenses | \$ 681,624,495 | \$ - | \$ - | \$ - |
| Sales taxes | 718,909,975 | - | - | - |
| Intergovernmental | 1,104,440,484 | 174,090,216 | - | 18,595,405 |
| Other taxes | 360,113,916 | 240,443,163 | - | 78,658,917 |
| Licenses, fees and permits | 109,555,570 | 136,746,331 | - | - |
| Sales and charges for services | 32,108,683 | 10,468,684 | - | - |
| Interest and investment income | 24,473,604 | 13,875,419 | 58,951,668 | 8,751,315 |
| Tobacco settlement income | - | - | - | - |
| <i>Other:</i> | | | | |
| Fines | - | - | - | - |
| Land sales | - | - | - | - |
| Other | 36,097,464 | 9,027,571 | - | - |
| Total revenues | 3,067,324,191 | 584,651,384 | 58,951,668 | 106,005,637 |
| Expenditures | | | | |
| <i>Current:</i> | | | | |
| General government | 69,583,866 | 3,063,277 | 246,341 | 1,686,665 |
| Health and social services | 1,465,759,338 | - | - | - |
| Education and support services | 959,104,823 | - | - | - |
| Law, justice and public safety | 280,914,716 | 117,315,850 | - | - |
| Regulation of business | 57,693,501 | - | 500 | - |
| Transportation | - | 418,870,433 | - | - |
| Recreation, resource development | 78,587,243 | - | - | - |
| Intergovernmental | 66,901,001 | 7,695,958 | - | - |
| Capital outlay | - | - | - | - |
| <i>Debt service:</i> | | | | |
| Principal | 311,144 | 700,603 | - | 99,947,658 |
| Interest, fiscal charges | 394,178 | 114,751 | - | 114,138,728 |
| Bond issuance costs | - | - | - | 994,404 |
| Arbitrage payments | - | - | - | 580,800 |
| Total expenditures | 2,979,249,810 | 547,760,872 | 246,841 | 217,348,255 |
| Excess (deficiency) of revenues over expenditures | 88,074,381 | 36,890,512 | 58,704,827 | (111,342,618) |
| Other Financing Sources (Uses) | | | | |
| Capital leases | 981,879 | - | - | - |
| Sale of general obligation bonds | 995,980 | - | 9,015,000 | 21,987,644 |
| Premium on general obligation bonds | - | - | - | 2,860,064 |
| Sale of fixed assets | 49,468 | 1,282 | - | - |
| Sale of general obligation refunding bonds | - | - | - | 19,960,559 |
| Payment to refunded bond agent | - | - | - | (19,960,559) |
| Transfers in | 114,402,828 | 4,224,294 | - | 96,190,025 |
| Transfers from component units | 27,624 | - | - | - |
| Transfers out | (41,480,616) | (9,511,805) | (80,919,048) | (10,000,000) |
| Transfers to component units | (349,118,526) | - | - | (109,660) |
| Total other financing sources (uses) | (274,141,363) | (5,286,229) | (71,904,048) | 110,928,073 |
| Net change in fund balances | (186,066,982) | 31,604,283 | (13,199,221) | (414,545) |
| Fund balances, July 1 (as restated) | 236,814,725 | 190,300,247 | 1,103,628,764 | 38,256,628 |
| Fund balances, June 30 | \$ 50,747,743 | \$ 221,904,530 | \$ 1,090,429,543 | \$ 37,842,083 |

The notes to the financial statements are an integral part of this statement.



| Stabilize the Operations of State Government | Other Governmental Funds | Total Governmental Funds |
|---|-------------------------------------|-------------------------------------|
| \$ - | \$ 15,857,307 | \$ 697,481,802 |
| - | - | 718,909,975 |
| - | 50,124,664 | 1,347,250,769 |
| - | 82,691,946 | 761,907,942 |
| - | 24,422,469 | 270,724,370 |
| - | 12,375,700 | 54,953,067 |
| - | 18,621,789 | 124,673,795 |
| - | 44,628,083 | 44,628,083 |
| - | 3,779,828 | 3,779,828 |
| - | 4,975,686 | 4,975,686 |
| - | 4,306,411 | 49,431,446 |
| - | 261,783,883 | 4,078,716,763 |
| - | 33,926,853 | 108,507,002 |
| - | 70,936,987 | 1,536,696,325 |
| - | 9,379,154 | 968,483,977 |
| - | 14,086,263 | 412,316,829 |
| - | 17,494,908 | 75,188,909 |
| - | - | 418,870,433 |
| - | 17,282,087 | 95,869,330 |
| - | 18,485,475 | 93,082,434 |
| - | 18,404,315 | 18,404,315 |
| - | 8,207,272 | 109,166,677 |
| - | 4,840,551 | 119,488,208 |
| - | - | 994,404 |
| - | 30,500 | 611,300 |
| - | 213,074,365 | 3,957,680,143 |
| - | 48,709,518 | 121,036,620 |
| - | 506,383 | 1,488,262 |
| - | 80,108,785 | 112,107,409 |
| - | - | 2,860,064 |
| - | - | 50,750 |
| - | - | 19,960,559 |
| - | - | (19,960,559) |
| - | 38,403,558 | 253,220,705 |
| - | - | 27,624 |
| - | (90,844,748) | (232,756,217) |
| - | (57,617,243) | (406,845,429) |
| - | (29,443,265) | (269,846,832) |
| - | 19,266,253 | (148,810,212) |
| 136,340,970 | 403,550,989 | 2,108,892,323 |
| <u>\$ 136,340,970</u> | <u>\$ 422,817,242</u> | <u>\$ 1,960,082,111</u> |

Reconciliation of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

State
of
Nevada

June 30, 2002

Net change in fund balances - total governmental funds \$ (148,810,212)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, the amounts are:

| | | |
|--|--------------|------------|
| Capital outlay | 115,886,088 | |
| Depreciation expense | (48,375,933) | |
| Excess of capital outlay over depreciation expense | | 67,510,155 |

Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, proceeds were received from:

| | | |
|------------------------|---------------|---------------|
| Bonds issued | (112,107,409) | |
| Refunding bonds issued | (19,960,559) | |
| Total bond proceeds | | (132,067,968) |

Some capital additions were financed through capital leases. In the governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. 1,488,262

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

| | | |
|--|------------|-------------|
| Bond principal retirement | 82,928,327 | |
| Certificates of participation retirement | 605,000 | |
| Capital lease payments | 22,833,329 | |
| Payments to the bond refunding agent | 19,960,559 | |
| Total long-term debt repayment | | 126,327,215 |

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (loss) of the internal service funds is reported with governmental activities. (30,801,170)

Because some revenues will not be collected for several months after the State's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased by this amount this year. 36,684,197

In the statement of activities, the gain or loss on the sale of assets is reported, whereas in the governmental funds, only the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. (1,413,380)

In the statement of activities, the change in the net pension obligation for the Judicial Retirement System is reported as an expense. (2,909,277)

Amortization of deferred loss on early retirement of debt is reported as an expense for the statement of activities. (68,016)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

| | | |
|----------------------------------|-------------|-------------|
| Net increase in accrued interest | (645,999) | |
| Increase in compensated absences | (8,217,503) | |
| Decrease in arbitrage liability | 1,948,035 | |
| Total additional expenditures | | (6,915,467) |

Change in net assets of governmental activities \$ (90,975,661)

The notes to the financial statements are an integral part of this statement.

Statement of Net Assets Proprietary Funds

June 30, 2002

| | Enterprise Funds | | | | Internal Service Funds |
|-------------------------------------|----------------------|------------------------------|------------------------------|----------------------|---------------------------|
| | Housing Division | Unemployment Compensation | Other Enterprise Funds | Total | |
| Assets | | | | | |
| Current assets: | | | | | |
| <i>Cash and pooled investments:</i> | | | | | |
| Cash with treasurer | \$ 256,726 | \$ - | \$ 71,020,758 | \$ 71,277,484 | \$ 31,901,960 |
| Cash in custody of other officials | 35,451 | 484,528,938 | 230,478 | 484,794,867 | 275 |
| Investments | 121,018,955 | - | - | 121,018,955 | - |
| Collateral on loaned securities | - | - | 34,593,436 | 34,593,436 | 6,552,815 |
| <i>Receivables:</i> | | | | | |
| Accounts receivable | - | 78,315,046 | 1,327,707 | 79,642,753 | 407,719 |
| Intergovernmental receivables | - | - | 1,980,272 | 1,980,272 | 607,016 |
| Accrued interest and dividends | 9,393,328 | - | 2,249,894 | 11,643,222 | - |
| Notes/loans receivable | - | - | - | - | 6,200 |
| Due from other funds | 5,516 | - | 1,912,493 | 1,918,009 | 10,526,146 |
| Due from fiduciary funds | - | - | 10,040 | 10,040 | 32,786 |
| Due from component unit | - | - | 16,351 | 16,351 | 354,427 |
| Inventory | - | - | 1,581,184 | 1,581,184 | 715,323 |
| Prepaid expenses | - | - | 49,506 | 49,506 | 143,784 |
| <i>Restricted Assets:</i> | | | | | |
| Noncash | 45,424,788 | - | - | 45,424,788 | - |
| Total current assets | 176,134,764 | 562,843,984 | 114,972,119 | 853,950,867 | 51,248,451 |
| Noncurrent assets: | | | | | |
| Investments | 286,024,893 | - | 72,256,128 | 358,281,021 | - |
| <i>Receivables:</i> | | | | | |
| Mortgages receivable | 939,690,617 | - | - | 939,690,617 | - |
| Notes/loans receivable | - | - | 61,191,249 | 61,191,249 | 158,200 |
| Deferred charges | 9,889,982 | - | 1,101,606 | 10,991,588 | - |
| <i>Restricted assets:</i> | | | | | |
| Noncash | 60,260,324 | - | - | 60,260,324 | - |
| Other assets | 4,116,378 | - | - | 4,116,378 | 598,522 |
| <i>Capital assets:</i> | | | | | |
| Land | - | - | 435,251 | 435,251 | 130,954 |
| Buildings | - | - | 2,978,264 | 2,978,264 | 7,259,937 |
| Improvements other than buildings | - | - | 630,647 | 630,647 | 727,317 |
| Furniture and equipment | 310,295 | - | 4,200,019 | 4,510,314 | 54,878,852 |
| Construction in progress | - | - | - | - | 2,755,879 |
| Less accumulated depreciation | (296,978) | - | (5,493,257) | (5,790,235) | (44,939,758) |
| Total noncurrent assets | 1,299,995,511 | - | 137,299,907 | 1,437,295,418 | 21,569,903 |
| Total assets | 1,476,130,275 | 562,843,984 | 252,272,026 | 2,291,246,285 | 72,818,354 |



| | Enterprise Funds | | | | Internal Service Funds |
|---|-----------------------|---------------------------|------------------------|----------------------|------------------------|
| | Housing Division | Unemployment Compensation | Other Enterprise Funds | Total | |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| <i>Accounts payable and accruals:</i> | | | | | |
| Accounts payable | 6,137,468 | 14,312,161 | 1,434,807 | 21,884,436 | 4,751,882 |
| Interest payable | 15,885,642 | - | 1,210,046 | 17,095,688 | - |
| Accrued payroll and related liabilities | - | - | 666,513 | 666,513 | 1,339,550 |
| Intergovernmental payables | - | - | 5,068 | 5,068 | 3,243 |
| Bank overdraft | - | - | - | - | 2,911,537 |
| Obligations under securities lending | - | - | 34,593,436 | 34,593,436 | 6,552,815 |
| Due to other funds | 7,782 | - | 1,761,198 | 1,768,980 | 4,233,407 |
| Due to fiduciary funds | - | - | 135,319 | 135,319 | 496,463 |
| Due to component unit | - | - | 38,904 | 38,904 | 67,109 |
| Deferred revenues | - | - | 4,890,741 | 4,890,741 | 26,065 |
| Other liabilities | - | - | 7,056 | 7,056 | - |
| <i>Short-term portion of long-term liabilities:</i> | | | | | |
| Obligations under capital leases | - | - | - | - | 442,063 |
| Compensated absences | 81,001 | - | 731,916 | 812,917 | 1,756,640 |
| Bonds payable | 71,307,000 | - | 3,214,129 | 74,521,129 | - |
| Total current liabilities | 93,418,893 | 14,312,161 | 48,689,133 | 156,420,187 | 22,580,774 |
| Noncurrent liabilities: | | | | | |
| Advances from funds | - | - | 124,784 | 124,784 | 9,117,842 |
| Reserve for losses | - | - | - | - | 63,217,888 |
| Obligations under capital leases | - | - | - | - | 1,059,468 |
| Compensated absences | 71,911 | - | 357,969 | 429,880 | 1,075,931 |
| Bonds payable | 1,241,728,000 | - | 55,000,997 | 1,296,728,997 | 757,033 |
| Arbitrage rebate liability | - | - | 43,381 | 43,381 | - |
| Total noncurrent liabilities | 1,241,799,911 | - | 55,527,131 | 1,297,327,042 | 75,228,162 |
| Total liabilities | 1,335,218,804 | 14,312,161 | 104,216,264 | 1,453,747,229 | 97,808,936 |
| Net Assets | | | | | |
| Invested in capital assets, net of related debt | 13,317 | - | 2,646,140 | 2,659,457 | 12,060,920 |
| Restricted for unemployment compensation | - | 548,531,823 | - | 548,531,823 | - |
| Restricted for security of outstanding obligations | 138,837,683 | - | - | 138,837,683 | - |
| Restricted for workers compensation | - | - | 23,831,393 | 23,831,393 | - |
| Restricted for revolving loans | - | - | 114,287,972 | 114,287,972 | - |
| Restricted for regulation of business | - | - | 701,309 | 701,309 | - |
| Unrestricted | 2,060,471 | - | 6,588,948 | 8,649,419 | (37,051,502) |
| Total net assets | \$ 140,911,471 | \$ 548,531,823 | \$148,055,762 | 837,499,056 | \$ (24,990,582) |

Some amounts reported for *business-type activities* in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities.

| | |
|--|-----------------------|
| | (640,624) |
| Net assets of business-type activities | <u>\$ 836,858,432</u> |

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds

State
of
Nevada

For the Fiscal Year Ended June 30, 2002

| | Enterprise Funds | | | | |
|---|-----------------------|------------------------------|------------------------------|--------------------|---------------------------|
| | Housing Division | Unemployment Compensation | Other Enterprise Funds | Total | Internal Service Funds |
| Operating Revenues | | | | | |
| Sales | \$ - | \$ - | \$ 5,943,235 | \$ 5,943,235 | \$ 4,715,095 |
| Assessments | - | 240,608,601 | 20,561,434 | 261,170,035 | - |
| Net premium income | - | - | - | - | 159,853,766 |
| Charges for services | - | - | 9,564,990 | 9,564,990 | 46,640,281 |
| Rental income | - | - | 190,555 | 190,555 | 15,613,771 |
| Interest income on loans/notes | 58,855,556 | - | 4,344,266 | 63,199,822 | - |
| Interest and investment income | 20,892,278 | 31,502,672 | - | 52,394,950 | - |
| Federal grants | 2,181,347 | 38,778,950 | 9,371,206 | 50,331,503 | - |
| Licenses, fees and permits | - | - | 2,829,380 | 2,829,380 | - |
| Contributions | - | - | 110,706 | 110,706 | - |
| Other | 2,826,743 | - | 2,011,435 | 4,838,178 | 1,336,027 |
| Total operating revenues | 84,755,924 | 310,890,223 | 54,927,207 | 450,573,354 | 228,158,940 |
| Operating Expenses | | | | | |
| Salaries and benefits | 1,700,219 | - | 14,638,310 | 16,338,529 | 29,857,081 |
| Operating | 4,053,117 | - | 11,686,285 | 15,739,402 | 33,042,319 |
| Administrative expense | - | - | 59,987 | 59,987 | - |
| Claims expense | - | 407,240,872 | 3,960,440 | 411,201,312 | 148,989,482 |
| Interest on bonds payable | 67,796,377 | - | - | 67,796,377 | - |
| Materials or supplies used | - | - | 2,098,929 | 2,098,929 | 2,220,030 |
| Servicers' fees | 1,805,488 | - | - | 1,805,488 | - |
| Depreciation | 9,591 | - | 329,178 | 338,769 | 5,690,801 |
| Insurance premiums | - | - | - | - | 38,926,256 |
| Bond issuance costs | 1,485,078 | - | 150,729 | 1,635,807 | - |
| Total operating expenses | 76,849,870 | 407,240,872 | 32,923,858 | 517,014,600 | 258,725,969 |
| Operating income (loss) | 7,906,054 | (96,350,649) | 22,003,349 | (66,441,246) | (30,567,029) |
| Nonoperating Revenues (Expenses) | | | | | |
| Interest and investment income | - | - | 4,379,221 | 4,379,221 | 747,192 |
| Interest expense | - | - | (3,823,870) | (3,823,870) | (288,548) |
| Federal grants | - | 69,117,410 | 2,125,795 | 71,243,205 | - |
| Gain (loss) on disposal of assets | - | - | 2,015 | 2,015 | (54,532) |
| Arbitrage rebate | - | - | 60,704 | 60,704 | - |
| Total nonoperating revenues (expenses) | - | 69,117,410 | 2,743,865 | 71,861,275 | 404,112 |
| Income (loss) before transfers | 7,906,054 | (27,233,239) | 24,747,214 | 5,420,029 | (30,162,917) |
| Transfers | | | | | |
| Transfers in | - | - | 431,829 | 431,829 | 272,387 |
| Transfer out | (2,790,780) | - | (16,879,396) | (19,670,176) | (1,484,306) |
| Change in net assets | 5,115,274 | (27,233,239) | 8,299,647 | (13,818,318) | (31,374,836) |
| Net assets, July 1 (as restated) | 135,796,197 | 575,765,062 | 139,756,115 | | 6,384,254 |
| Net assets, June 30 | \$ 140,911,471 | \$ 548,531,823 | \$ 148,055,762 | | \$ (24,990,582) |

Some amounts reported for *business-type activities* in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.

Change in net assets of business-type activities (573,666)
\$ (14,391,984)

The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows Proprietary Funds

For the Fiscal Year Ended June 30, 2002

| | Enterprise Funds | | | | |
|--|------------------|------------------------------|------------------------------|----------------|---------------------------|
| | Housing | Unemployment Compensation | Other Enterprise Funds | Totals | Internal Service Funds |
| Cash flows from operating activities | | | | | |
| Receipts from customers and users | \$ 1,366,319 | \$ 272,707,863 | \$ 29,987,032 | \$ 304,061,214 | \$ 4,914,187 |
| Receipts from interfund services provided | 5,865 | 1,071,133 | 10,896,402 | 11,973,400 | 186,283,750 |
| Receipts from component units | - | - | 15,879 | 15,879 | 39,615,293 |
| Receipts of principal/interest on loans, notes | 183,218,802 | - | 9,890,607 | 193,109,409 | - |
| Payments to suppliers, other governments and beneficiaries | (1,989,825) | (402,970,607) | (23,459,153) | (428,419,585) | (196,744,424) |
| Payments to employees | (1,663,459) | - | (13,890,278) | (15,553,737) | (28,596,940) |
| Payments for interfund services used | (433,779) | - | (2,923,162) | (3,356,941) | (6,976,624) |
| Payments to component units | (8,500) | - | (124,358) | (132,858) | (343,182) |
| Purchase of mortgage loans and notes | (106,720,752) | - | (21,327,229) | (128,047,981) | - |
| Net cash provided by (used for) operating activities | 73,774,671 | (129,191,611) | (10,934,260) | (66,351,200) | (1,847,940) |
| Cash flows from noncapital financing activities | | | | | |
| Grant receipts | - | 69,117,410 | 9,918,126 | 79,035,536 | - |
| Proceeds from sale of bonds | 223,745,000 | - | 1,566,162 | 225,311,162 | - |
| Transfers from other funds | 2,255,143 | - | 491,041 | 2,746,184 | 1,869,991 |
| Principal paid on noncapital debt | (187,664,000) | - | (1,745,000) | (189,409,000) | - |
| Interest paid on noncapital debt | (68,510,418) | - | (3,060,179) | (71,570,597) | - |
| Transfers to other funds | (2,864,576) | - | (17,678,776) | (20,543,352) | (828,636) |
| Other cash provided by (used for) noncapital financing activities | (2,799,887) | - | (336,029) | (3,135,916) | (50) |
| Net cash provided by (used for) noncapital financing activities | (35,838,738) | 69,117,410 | (10,844,655) | 22,434,017 | 1,041,305 |
| Cash flows from capital and related financing activities | | | | | |
| Proceeds from sale of capital assets | - | - | 1,648 | 1,648 | 86,995 |
| Purchase of capital assets | (14,287) | - | (630,946) | (645,233) | (2,635,086) |
| Principal paid on capital debt | - | - | (10,540) | (10,540) | (1,777,706) |
| Interest paid on capital debt | - | - | - | - | (127,795) |
| Construction | - | - | - | - | (274,378) |
| Net cash provided by (used for) capital and related financing activities | (14,287) | - | (639,838) | (654,125) | (4,727,970) |
| Cash flows from investing activities | | | | | |
| Proceeds from sales and maturities of investments | 416,636,640 | - | - | 416,636,640 | - |
| Purchase of investments | (475,269,709) | - | - | (475,269,709) | - |
| Interest and dividends received | 20,863,386 | 31,502,672 | 3,035,706 | 55,401,764 | 701,737 |
| Net cash provided by (used for) investing activities | (37,769,683) | 31,502,672 | 3,035,706 | (3,231,305) | 701,737 |
| Net increase (decrease) in cash | 151,963 | (28,571,529) | (19,383,047) | (47,802,613) | (4,832,868) |
| Cash and cash equivalents, July 1 | 140,214 | 513,100,467 | 90,634,283 | 603,874,964 | 36,735,103 |
| Cash and cash equivalents, June 30 | \$ 292,177 | \$ 484,528,938 | \$ 71,251,236 | \$ 556,072,351 | \$ 31,902,235 |



| | Enterprise Funds | | | | |
|---|------------------|---------------------------|------------------------|-----------------|------------------------|
| | Housing | Unemployment Compensation | Other Enterprise Funds | Totals | Internal Service Funds |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities | | | | | |
| Operating income (loss) | \$ 7,906,054 | \$ (96,350,649) | \$ 22,003,349 | \$ (66,441,246) | \$ (30,567,029) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities | | | | | |
| Depreciation expense | 9,591 | - | 329,178 | 338,769 | 5,690,801 |
| Amortization expense | 1,485,078 | - | 150,729 | 1,635,807 | - |
| Grant receipts | - | - | (7,755,307) | (7,755,307) | - |
| Income on investments | (20,892,278) | (31,502,672) | - | (52,394,950) | - |
| Interest on bonds payable | 67,796,377 | - | - | 67,796,377 | - |
| Decrease (increase) in loans and notes receivable | 15,112,840 | - | (15,294,148) | (181,308) | - |
| Decrease (increase) in accrued receivables | 2,234,269 | (5,608,555) | (3,801,188) | (7,175,474) | 2,633,222 |
| Decrease (increase) in inventory, deferred charges and other assets | - | - | 1,317,619 | 1,317,619 | (786,395) |
| Increase (decrease) in accounts payable, accruals, other liabilities | 122,740 | 4,270,265 | (7,834,824) | (3,441,819) | 21,181,461 |
| Other adjustments | - | - | (49,668) | (49,668) | - |
| Total adjustments | 65,868,617 | (32,840,962) | (32,937,609) | 90,046 | 28,719,089 |
| Net cash provided by (used for) operating activities | \$ 73,774,671 | \$ (129,191,611) | \$ (10,934,260) | \$ (66,351,200) | \$ (1,847,940) |
| Noncash investing, capital and financing activities | | | | | |
| Property leased, accrued or acquired | \$ - | \$ - | \$ - | \$ - | \$ 291,802 |
| Construction completed or in progress | - | - | - | - | 672,877 |
| Interest/dividends on investments accrued | - | - | 1,828,001 | 1,828,001 | 67,520 |
| Change in fair value of investments | 1,436,421 | - | 418,908 | 1,855,329 | 83,272 |

The notes to the financial statements are an integral part of this statement.

Statement of Fiduciary Net Assets Fiduciary Funds

State
of
Nevada

June 30, 2002

| | Pension Trust Funds | Investment Trust Funds | Private-Purpose Trust Funds | Agency Funds |
|--|--------------------------|---------------------------|--------------------------------|--------------------|
| Assets | | | | |
| <i>Cash and pooled investments:</i> | | | | |
| Cash with treasurer | \$ - | \$ 264 | \$ 3,248,640 | \$ 67,793,008 |
| Cash in custody of other officials | 359,788,931 | - | 164,889 | 68,018,298 |
| <i>Investments:</i> | | | | |
| Investments | - | 523,676,111 | 35,390,571 | 97,290,669 |
| Fixed income securities | 5,011,769,288 | - | - | - |
| Marketable equity securities | 4,159,016,849 | - | - | - |
| International securities | 2,385,727,480 | - | - | - |
| Mutual funds | 507,866,631 | - | - | - |
| Mortgage loans | 3,540,771 | - | - | - |
| Real estate | 1,177,947,422 | - | - | - |
| Alternative investments | 133,574,912 | - | - | - |
| Collateral on loaned securities | 1,436,110,145 | 79,881,522 | 257,742 | 2,724,396 |
| <i>Receivables:</i> | | | | |
| Accounts receivable | - | - | 42,656 | - |
| Accrued interest and dividends | 83,929,005 | 2,904,584 | 180,999 | - |
| Taxes receivable | - | - | - | 6,189,044 |
| Trades pending settlement | 13,039 | - | - | - |
| Intergovernmental receivables | 46,182,714 | - | 846 | 6,505,302 |
| Other receivables | 15 | - | - | 31,745,712 |
| Due from other funds | - | 175 | 362,021 | 276,794,382 |
| Due from fiduciary funds | 9,108,216 | - | - | 9,613,057 |
| Other assets | 557,183 | - | - | - |
| Furniture and equipment | 22,096,474 | - | - | - |
| Accumulated depreciation | (10,517,061) | - | - | - |
| Total assets | 15,326,712,014 | 606,462,656 | 39,648,364 | 566,673,868 |
| Liabilities | | | | |
| <i>Accounts payable and accruals:</i> | | | | |
| Accounts payable | 10,891,211 | - | 17,680 | - |
| Accrued payroll and related liabilities | - | - | 12,215 | 130,633 |
| Intergovernmental payables | - | 805,438 | 9,036 | 343,110,630 |
| Trades pending settlement | 661,619,180 | - | - | - |
| Obligations under securities lending | 1,436,110,145 | 79,881,522 | 257,742 | 2,724,396 |
| Due to other funds | 31,868 | 3,235 | 523,772 | - |
| Due to fiduciary funds | - | - | 21,787 | 18,699,844 |
| Advance from general fund | - | - | 2,986,187 | - |
| Deferred revenues | - | - | 4,280 | - |
| <i>Other liabilities:</i> | | | | |
| Deposits | - | - | - | 193,285,315 |
| Other liabilities | 44,588 | - | - | 8,723,050 |
| Total liabilities | 2,108,696,992 | 80,690,195 | 3,832,699 | 566,673,868 |
| Net Assets | | | | |
| <i>Held in trust for:</i> | | | | |
| Employees' pension benefits | 13,218,015,022 | - | - | - |
| Individuals, organizations and other governments | - | 525,772,461 | 35,815,665 | - |
| Total net assets | \$ 13,218,015,022 | \$ 525,772,461 | \$ 35,815,665 | \$ - |

The notes to the financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Assets Fiduciary Funds

State
of
Nevada

For the Fiscal Year Ended June 30, 2002

| | Pension Trust Funds | Investment Trust Funds | Private-Purpose Trust Funds |
|---|--------------------------|------------------------|-----------------------------|
| Additions | | | |
| <i>Contributions:</i> | | | |
| Employer | \$ 685,903,569 | \$ - | \$ - |
| Plan members | 53,958,244 | - | - |
| Participants | - | - | 23,424,668 |
| Repayment and purchase of service | 24,702,680 | - | - |
| Total contributions | <u>764,564,493</u> | <u>-</u> | <u>23,424,668</u> |
| <i>Investment income:</i> | | | |
| Net increase in fair value of investments | (841,482,571) | 1,385,735 | (2,694,872) |
| Interest, dividends | 396,976,973 | 14,665,905 | 1,408,096 |
| Securities lending income | 49,687,972 | 980,589 | - |
| Other | 93,129,707 | - | - |
| | <u>(301,687,919)</u> | <u>17,032,229</u> | <u>(1,286,776)</u> |
| Less investment expense: | | | |
| Cost of securities lending | (43,280,076) | (980,589) | (9,095) |
| Other | (23,104,238) | (103,631) | - |
| Net investment income | <u>(368,072,233)</u> | <u>15,948,009</u> | <u>(1,295,871)</u> |
| <i>Other:</i> | | | |
| Investment from local governments | - | 970,951,034 | - |
| Reinvestment from interest income | - | 12,982,714 | - |
| Sales and charges for services | - | - | 24,653 |
| Other | 2,124,689 | - | 105,534 |
| Total other | <u>2,124,689</u> | <u>983,933,748</u> | <u>130,187</u> |
| Total additions | <u>398,616,949</u> | <u>999,881,757</u> | <u>22,258,984</u> |
| Deductions | | | |
| Principal redeemed | - | 995,614,625 | - |
| Benefit payments | 533,391,366 | - | 12,028,298 |
| Refunds | 15,835,321 | - | 488,457 |
| Dividends to investors | - | 14,242,846 | - |
| Administrative expense | 8,715,439 | - | 1,014,245 |
| Transfer out | - | - | 14,222 |
| Total deductions | <u>557,942,126</u> | <u>1,009,857,471</u> | <u>13,545,222</u> |
| Change in net assets | (159,325,177) | (9,975,714) | 8,713,762 |
| Net assets, July 1 | <u>13,377,340,199</u> | <u>535,748,175</u> | <u>27,101,903</u> |
| Net assets, June 30 | <u>\$ 13,218,015,022</u> | <u>\$ 525,772,461</u> | <u>\$ 35,815,665</u> |

The notes to the financial statements are an integral part of this statement.



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Note 1 - Summary of Significant Accounting Policies**A. Reporting Entity**

The accompanying financial statements of the State of Nevada (the State) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). As required by GAAP, the State's reporting entity includes the "primary government" and its "component units." The primary government includes all funds, departments, agencies, and those authorities that are considered an integral part of the primary government. Component units are legally separate governmental organizations for which the State's elected officials are financially accountable. The State's component units have a June 30 year-end.

Financial accountability is defined in GASB statement No. 14, The Financial Reporting Entity. The State is financially accountable for those entities in which the State appoints a voting majority of an organization's governing authority, and either is able to impose its will upon the entity or there exists a financial benefits or burden relationship with the State. For those entities in which the State does not appoint a voting majority of the governing authority, GASB Statement No. 14 requires inclusion in the reporting entity if they are fiscally dependent on the state or if it would be misleading to exclude the authority.

Blended Component Units: The following blended component units are entities that are legally separate from the State. However, since the State Legislature retains certain significant governing powers over these entities, they are reported as if they are part of the primary government under the provisions of GASB Statement No. 14.

The Public Employees' Retirement System (PERS), the Legislators' Retirement System (LRS) and the Judicial Retirement System (JRS) are administered by a seven-member board appointed by the Governor. PERS is the administrator of a cost-sharing, multiple-employer, defined benefit public employees' retirement system established by the Nevada Legislature in 1947 to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earning capacities have been removed or substantially impaired by age or disability. LRS is the administrator of a single employer public employees' defined benefit retirement system established in 1967 by the Nevada Legislature to provide a reasonable base income to Legislators at retirement. JRS is the administrator of a single employer public employees' defined benefit retirement system established by the Nevada Legislature in 2001 to provide a reasonable base income

to justices of the Supreme Court and district judges at retirement.

Nevada Real Property Corporation is a legally separate entity whose board of directors are exclusively state employees or officials. It was incorporated to finance the costs of a juvenile treatment facility through issuance of certificates of participation and to lease the juvenile treatment facility to the State. The State reports these financial transactions as part of the primary government (CIP – Human Resources Capital Projects Fund) using the blended method.

Discretely Presented Component Units: Per the provisions of GASB Statement No. 14, a component unit should be included in the reporting entity financial statements using the discrete presentation method if the component unit's governing body is not substantively the same as the governing body of the primary government, and the component unit does not provide services entirely or almost entirely to the primary government. The following discretely presented component units are reported in separate columns in the basic financial statements to emphasize they are legally separate from the State.

The University and Community College System of Nevada (University System) is governed by a Board of Regents elected by the voters. However, the University System is fiscally dependent upon the State because of appropriations from the State Legislature, the Legislative approval of the budget for those appropriations, the levying of taxes, if necessary, and the issuance of debt to support the University System. Because the University System has a separate governing body and does not provide services entirely or almost entirely to the primary government, it is presented discretely in the financial statements.

The Colorado River Commission (CRC) is a legally separate entity responsible for managing Nevada's interests in the water and power resources available from the Colorado River. It is governed by seven commissioners, a majority of whom are appointed by the State: four are appointed by the Governor and three appointed by the board of directors of the Southern Nevada Water Authority. CRC provides services to citizens through the distribution and sale of electric power. As CRC has a separate governing body and does not provide services entirely or almost entirely to the primary government, it is presented discretely in the financial statements.

Complete financial statements for each of the individ-

(Note 1 Continued)

ual component units, with the exception of the Nevada Real Property Corporation, which has no other financial activity than that described above, may be obtained at that entity's administrative offices:

*Public Employees' Retirement System
Carson City, NV*

*Legislators' Retirement System
Carson City, NV*

*Judicial Retirement System
Carson City, NV*

*University and Community College System of
Nevada
Reno, NV*

*Colorado River Commission
Las Vegas, NV*

Related Organizations: The Governor is responsible for appointing the members of many occupational licensing boards. The State's accountability for these boards does not extend beyond making the appointments and thus these boards are excluded from this report. The State does not exercise financial or administrative control over the excluded occupational licensing boards.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements: The Statement of Net Assets and the Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The *Statement of Net Assets* presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Certain indirect costs have been included as part of the program expenses reported for the various functions and activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues. Internal activity has been eliminated from the Statement of Activities. Overhead costs have been removed to minimize the double counting of internal activities, but interfund services provided and used have been retained, as their elimination would distort the measurement of the cost of individual functional activities.

Fund Financial Statements: Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement Focus and Basis of Accounting: The government-wide statements are reported using the economic resources management focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are rec-

(Note 1 Continued)

ognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

GASB Statement No. 20 requires proprietary funds to apply all applicable GASB pronouncements and, unless they conflict with or contradict GASB pronouncements, all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989. As permitted by the Statement, the State has elected not to apply FASB pronouncements issued after that date.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual, that is, when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon thereafter. The State considers revenues as available if they are collected within 60 days after year-end. Those revenues susceptible to accrual are gaming revenues, sales taxes, other taxes as described in Note 12, interest revenue and charges for services. Fines and permit revenues are not susceptible to accrual because they are generally not measurable until received in cash.

Expenditures generally are recorded when the related fund liability is incurred. However, expenditures for principal and interest on long-term debt are recorded as fund liabilities only when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Inventories and prepaids are reported using the consumption method.

The State reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the State before it has a legal claim to them, as when grant monies are received before the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the State has a legal claim to the resources, the

liability for deferred revenue is removed from the governmental funds balance sheet and revenue is recognized.

Restricted revenues are those monies that are legally segregated for specific purposes. For example, a portion of a particular property tax levy may be legally pledged to support debt service. The general policy of the State is to expend unrestricted revenues first in a fund, followed by restricted revenues. However, there are exceptions to this policy in the Consolidated Bond Interest and Redemption fund and all the Capital Projects funds.

Financial Statement Presentation: The State reports the following major governmental funds:

The General Fund is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The State Highway Fund accounts for the maintenance, regulation, and construction of public highways and is funded through vehicle fuel taxes, federal funds, and other charges.

The Municipal Bond Bank Fund accounts for revenues and expenditures associated with buying local governments bonds with proceeds of State general obligation bonds.

The Consolidated Bond Interest and Redemption Fund accumulates monies for the payment of leases and of principal and interest on general obligation bonds of the State.

The Stabilize the Operations of State Government Fund, commonly referred to as the "Rainy Day Fund", accounts for funds appropriated by the Legislature to be expended only if actual revenues for the biennium fall short by 5% or more from anticipated revenues or the Legislature and Governor declare that a fiscal emergency exists.

The State reports the following major enterprise funds:

The Housing Division Fund accounts for the State program to assist private lenders in providing low interest housing loans to low- and moderate-income households. This program is financed through the sale of bonds.

The Unemployment Compensation Trust Fund accounts for the payment of unemployment compensation benefits.

(Note 1 Continued)

Additionally, the State reports the following fund types:

Governmental Fund Types:

Special Revenue Funds – include operating fund activities financed by specific revenue sources that are legally restricted for specified purposes. Examples include school improvement, regulatory, tourism promotion, and other activities.

Debt Service Funds – account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds – account for the acquisition or construction of major State capital facilities financed by bond proceeds and commercial paper notes.

Permanent Funds – report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry. An example is the permanent school fund, in which all earnings are distributed to school districts within the State.

Proprietary Fund Types:

Enterprise Funds – report the activities for which fees are charged to external users for goods or services, such as workers' compensation, insurance and prison industry.

Internal Service Funds – provide goods or services primarily to other agencies or funds of the State, rather than to the general public. These goods and services include communications, purchasing, printing and motor pool. In the government-wide statements, internal service funds are included with governmental activities.

Fiduciary Fund Types:

Pension Trust Funds – report resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit pension plans, defined contribution plans, and other postemployment benefit plans.

Private Purpose Trust Funds – report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. Examples include higher education tuition trust and prisoners' personal property.

Agency Funds – report assets and liabilities for deposits and investments entrusted to the State as an agent for others. Examples of funds in this category include motor vehicle, veterans custodial and child welfare.

D. Assets, Liabilities and Net Assets/Fund Balance

Cash and Pooled Investments - The State Treasurer manages a cash pool where all temporary surplus cash is invested. These investments are reported on the Statement of Net Assets and Balance Sheet as cash and pooled investments. Earnings from these pooled investments are credited to the General Fund and certain other funds that have specific statutory authority to receive a prorated share based on weekly cash balances. No entry is made to reduce the cash balance in each fund since the cash management pool has the same general characteristics as demand deposit accounts. Also included in this category is cash held by departments in petty cash funds and in bank accounts outside the Treasurer's cash management pool. The operations and investments of the cash pool are described in Note 3.

Cash and cash equivalents are defined as bank accounts, petty cash, money market demand accounts and certificates of deposits with original maturities of three months or less. Cash and cash equivalents are reported in the Statement of Cash Flows for proprietary fund types.

Investments – Investments are stated at fair value. Fair value is defined as the price at which an asset passes from a willing seller to a willing buyer. It is assumed that both buyer and seller are rational and have a reasonable knowledge of relevant facts. Short-term investments are generally reported at cost, which approximates fair value. Securities, traded on a national or international exchange, are valued at the last reported sale price of the day. International securities prices incorporate end-of-day exchange rates. The fair value of real estate investments is based on estimated current value, and MAI (Member Appraisal Institute) independent appraisals. Investments that do not have an established market are reported at estimated fair value.

In pension trust funds, there is no concentration of 5% or more of the plans' net investments in securities of a single organization (other than those issued by the U.S. Government).

The Local Government Investment Pool and Nevada Enhanced Savings Term are investment trust funds as defined in Governmental Accounting Standards Board Statement No. 31. The investments in this fund are subject to the general limitation of section 355.170 of Nevada Revised Statutes. Security transactions are accounted for on the trade date (the date the order to buy or sell is executed). Interest income is determined on an accrual basis with discounts earned and premi-

(Note 1 Continued)

ums paid being amortized. Realized gains and losses, if any, on sales of securities are calculated using the amortized cost basis at the date of sale. The fair value of the position in the pool is the same as the value of the pool shares. Wells Fargo is the custodian and transfer agent for both investment trust funds.

Derivative securities are priced and accounted for at fair value. For exchange-traded securities, such as futures and options, closing prices from the securities exchanges are used. For fixed income derivatives, such as collateralized mortgage obligations (CMO), commercial pricing services (where available) or bid-side prices from a broker/dealer are used. Foreign exchange forward contracts are valued at the price at which the transaction could be settled by offset in the forward markets.

Investments are categorized and discussed further in Note 3.

Receivables - Receivables represent amounts due to the State at June 30, which will be collected sometime in the future. In the government-wide financial statements, a corresponding amount is recorded as revenue. In the governmental fund financial statements, the portions considered "available" (i.e., received by the State within approximately 60 days after year-end) are recorded as revenue; the remainder is recorded as deferred revenue. Receivables in proprietary fund types have arisen in the ordinary course of business, and are shown net of an allowance for uncollectible accounts.

Property taxes are levied July 1 on property values assessed by the prior January 1. Property tax billings are payable in quarterly installments on the third Monday in August and the first Monday in October, January and March, after which time the bill is delinquent.

Significant receivable balances not expected to be collected within one year are presented in Note 4.

Interfund Transactions - The State has two types of inter-fund transactions:

- 1) Services rendered and employee benefit contributions are accounted for as revenues, expenditures/expenses in the funds involved.
- 2) Operating appropriations and subsidies are accounted for as operating transfers in the funds involved.

Operating transfers and due from/due to other funds are presented in Note 5.

Inventories - Inventories are stated at cost on the first-in, first-out basis. Inventory in the State Highway Fund, a special revenue fund, consists of expendable supplies

held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. On the governmental funds Balance Sheet, the reserve for inventory of supplies is equal to the amount of inventory of supplies and recognizes that a portion of the fund balance is not available for expenditure on a budgetary basis.

Advances to Other Funds - Long-term interfund advances are recorded by the advancing fund as a receivable and as a reservation of fund balance to maintain the accountability and to disclose properly the amount available for appropriation (unreserved fund balance). Repayments are credited to the receivable and corresponding reductions are made in the reserve. A summary of interfund advances at June 30, 2002 is presented in Note 5.

Capital Assets and Depreciation - An inventory of State-owned land, buildings and equipment was developed in 1985. All capital assets are recorded in the Statement of Net Assets at historical cost or estimated historical cost, based on acquisition of comparable property or agency records, if actual historical cost is not available. Donated capital assets are stated at appraised fair market value at the time of donation or estimated fair market value at time of donation, based on acquisition of comparable property, if appraised fair market value is not available. The government defines capital assets as assets with a unit cost of \$5,000 or more for furniture and equipment, or \$100,000 or more for buildings and improvements, and an estimated useful life in excess of one year.

Infrastructure, such as road and bridges, is capitalized for the first time in the year ended June 30, 2002. Interest incurred during construction is only capitalized in proprietary funds. Most capital assets are depreciated principally on a straight-line basis over estimated useful lives of 40 years for structures and improvements and 3 to 30 years for furniture and equipment. However, the State's significant infrastructure assets utilize an alternative accounting treatment in which costs to maintain and preserve these assets are expensed and no depreciation expense is recorded. This approach is discussed further in the Required Supplementary Information portion of this report.

In the University System, capital assets are defined as assets with an initial unit cost of \$2,000 or more and an estimated useful life in excess of one year. Such assets are stated at cost at the date of acquisition or fair market value at date of donation in the case of gifts. Depreciation is computed on a straight-line basis over estimated useful lives of 40 years for buildings, 15 years for land improvements and 3 to 18 years for library books, machinery and equipment.

(Note 1 Continued)

Additional disclosure related to capital assets is provided in Note 7.

Compensated Absences - Compensated absences are accounted for in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, which requires that a liability for compensated absences relating to services already rendered and that are not contingent on a specified event be accrued as employees earn the rights to the benefits. Compensated absences relating to future services or that are contingent on a specified event will be accounted for in the period those services are rendered or those events take place. Proprietary fund types report accrued compensated absences as liabilities in the appropriate funds. Governmental funds report compensated absences expected to be liquidated with expendable available financial resources as an expenditure and a fund liability in the fund financial statements. On the Statement of Net Assets, the total accrued compensated absences for both Proprietary and Governmental fund types is reported. Fiduciary funds are not included in the Statement of Net Assets.

Deferred Revenues - Deferred revenues in the General Fund consist primarily of food stamp coupons, refundable gaming taxes and fees, and nonexchange transactions for which the revenue is measurable but not available. Deferred revenue in the debt service funds consists primarily of amounts due from other governments to retire long-term debt.

Long-Term Obligations - In the government-wide statements and proprietary fund financial statements, long-term debt and other long-term liabilities are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

The State enters into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from these agree-

ments, no amounts are recorded in the financial statements.

Long-Term Obligations are more fully described in Note 8.

Net Assets/Fund Balance - The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary and fiduciary fund statements, and "Fund Balance" on governmental fund statements.

Fund Balance Reservations and Designations - In the fund financial statements, governmental funds classify fund balances as either reserved or unreserved. Reserved fund balances are those amounts that are not available for appropriation or are legally restricted by outside parties for a specific use. Unreserved fund balances reflect the balances available for appropriation for the general purposes of the fund. Management may designate a portion of the unreserved fund balance for a specific purpose, but designations are tentative management plans that are subject to change.

The nature of reserved and designated fund balances is explained below:

"Encumbrances and contracts" indicates assets required to meet future payment obligations.

"Inventory" indicates consumable supplies held in stock by governmental fund types.

"Advances" indicates assets which have been advanced to other funds on a long-term basis.

"Balances forward" indicates unexpended funds brought forward to the next year, which are legally restricted for general government; health and social services; education and support services; law, justice and public safety; regulation of business; transportation or recreation and resource development purposes.

"Investment in municipal securities" indicates assets restricted for the purchase of municipal securities.

"Permanent fund principal" indicates assets reserved for the purpose of the permanent fund.

"Fiscal emergency" indicates assets restricted for use in a State fiscal emergency, as declared by the Legislature and the Governor.

"Debt service" indicates assets reserved for the retirement of long-term obligations.

(Note 1 Continued)

“Other” generally indicates assets that, because of their nature, are unavailable for expenditures.

“Unreserved, designated” indicates assets that have been designated by the Legislature or governing board for specific purposes.

Note 11 provides a disaggregation of governmental fund balances, reserved for other and unreserved, designated.

E. Intergovernmental Assistance Programs

The State participates in various federal award programs. Federal awards are received by the State in both cash and noncash forms. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Certain grants have matching requirements in which the State must

contribute a proportionate share of the total costs of a program. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

F. Change in Accounting Standards/Comparative Data

During fiscal year 2002, the State implemented several new accounting standards issued by the Governmental Accounting Standards Board. Because of the significant changes between this year’s financial model and the prior year, comparative data from fiscal year 2001 has not been presented. However, some beginning balances have been restated in order to comply with the new accounting standards. For further detail on the accounting changes and restatements, refer to Note 16.

Note 2 - Budgetary and Legal Compliance

A. Individual Fund Deficits

Enterprise Fund

Nevada Magazine – The Nevada Magazine shows an increase in net assets of \$120,079 for the fiscal year ended June 30, 2002, but continues to operate in a deficit situation showing net liabilities (negative net assets) of \$455,519 at June 30, 2002.

Internal Service Funds

Self-Insurance - The Self-Insurance Fund accounts for self-insured group life, accident and health insurance plans for State and other government employees. The fund recorded a decrease in net assets of \$16,259,905 for the year ended June 30, 2002, resulting in net liabilities (negative net assets) of \$15,851,845 at June 30, 2002.

Insurance Premiums – The Insurance Premiums Fund allocates the cost of fidelity insurance, property insurance and workers’ compensation insurance to State agencies. The fund recorded a decrease in net assets of \$14,722,361 for the year ended June 30, 2002, resulting in net liabilities (negative net assets) of \$32,536,247 at June 30, 2002.

B. Budgetary Process and Control

The Governor must submit his proposed budget for the Executive Branch to the State Legislature not later than the 14th day before each regular session, which con-

venes every odd-numbered year. The budget presented spans the next two fiscal years, and contains detailed estimates of revenues and expenditures. The Legislature enacts the budget through passage of the General Appropriations Act, which allows expenditures from unrestricted revenues, and the Authorized Expenditures Act, which allows expenditures from revenues collected for specific purposes. Once passed and signed, the budget becomes the State’s financial plan for the next two fiscal years.

The legal level of budgetary control, the level at which appropriations are approved and the level at which over expenditure of appropriations or transfers of appropriated amounts may not occur without Legislative action, is at the total program level within each department or agency.

Limited budgetary revisions may be made without Legislative action through the following management/administrative procedures. Revisions of more than \$20,000, which would increase or decrease program expenditures by the lesser of 10% of the level approved by the Legislature or \$50,000, must be approved by the Legislative Interim Finance Committee (LIFC). Revisions not exceeding this threshold require only budget director approval. The LIFC approval is not equivalent to governing body approval as total appropriations for a program may not be increased except as follows.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2002

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(Note 2 Continued)

The Legislature appropriates limited funds to the Contingency Fund (a special revenue fund), which may be allocated to programs by the LIFC upon recommendation of the Board of Examiners. Allocations totaling \$18,838,445 were made in the 2002 fiscal year. Unencumbered appropriations lapse at the end of each fiscal year, unless specific authority to carry forward is granted in the Appropriations Act. Unexpended authorized resources under the Authorized Expenditures Act are carried forward for expenditure in the next fiscal period.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation, is employed in governmental fund types. For financial statement purposes, encumbrances outstanding at June 30, for which the goods or services have not been received, are shown as a reservation of fund balance.

Budgets are legally adopted for the General Fund and special revenue funds. However, certain activity within such funds may be unbudgeted. The State's budget is prepared principally on a modified accrual basis, with the following exceptions:

- 1) Cash placed in petty cash funds or outside bank accounts is considered expended for budgetary purposes.
- 2) Advances to other funds are considered expenditures. Repayments of such advances are considered revenues.
- 3) Certain prepaid/deferred assets are considered expended for budgetary purposes. Inventory is an expenditure for budgetary purposes. Certain deferred revenue is considered revenue for budgetary purposes.
- 4) Expenditures are only recognized if the liability is liquidated within 45 days after the fiscal year end.
- 5) Revenue from grants is only recognized when it is received in cash.
- 6) Encumbrances for goods or services not received by fiscal year end are considered an expenditure of the current period, if received and paid within 45 days.

The Budgetary Comparison Schedule is presented as Required Supplementary Information (RSI) in this report. Actual amounts in this schedule are presented on a budgetary basis. Because this basis differs from accounting principles generally accepted in the United States of America (GAAP), a reconciliation between the budgetary and GAAP basis is presented in the RSI.

Note 3 - Deposits and Investments

A. Summary of Deposit and Investment Balances

Following is a reconciliation of the State and its component units' deposit and investment balances as of June 30, 2002 (expressed in thousands):

| | Government-Wide Statement of Net Assets | Fiduciary Funds Statement of Net Assets | Total Primary Government | Component Units | Total Reporting Entity |
|---------------------------------|---|---|--------------------------------|--------------------|---------------------------|
| Cash and pooled investments | \$ 1,539,536 | \$ 499,014 | \$ 2,038,550 | \$ 94,720 | \$ 2,133,270 |
| Investments | 1,662,322 | 14,035,801 | 15,698,123 | 378,445 | 16,076,568 |
| Collateral on loaned securities | 577,178 | 1,518,974 | 2,096,152 | 32,960 | 2,129,112 |
| Restricted assets (Note 6) | 105,685 | - | 105,685 | 24,627 | 130,312 |
| Total | \$ 3,884,721 | \$ 16,053,789 | \$ 19,938,510 | \$ 530,752 | \$ 20,469,262 |
| Carrying amount of deposits | | | \$ 588,540 | \$ 58,006 | \$ 646,546 |
| Total investments | | | 19,349,970 | 472,746 | 19,822,716 |
| Total | | | \$ 19,938,510 | \$ 530,752 | \$ 20,469,262 |

(Note 3 Continued)

B. Deposits

In accordance with Nevada Revised Statutes, the State Treasurer may deposit funds into any state or national bank, credit union or savings and loan association covered by federal depository insurance. Statutes require that all deposits in excess of insured amounts be secured by collateral composed of: obligations of the United States; bonds of this State; bonds of any county, municipality or school district within this State; promissory notes secured by first deeds of trust or instruments in

which the State is permitted to invest. Additionally, various statutes have authorized State agencies to deposit funds in accounts outside the custody of the State Treasurer. These outside accounts must follow the same guidelines as deposits made by the State Treasurer.

At June 30, 2002, deposits were held in various institutions throughout the State as follows (expressed in thousands):

| | <u>Carrying Value</u> | <u>Bank Balance</u> |
|--|---------------------------|-------------------------|
| <i>Primary government:</i> | | |
| Insured or collateralized with securities held by the State or by an agent of the State in State's name | \$ 37,903 | \$ 115,061 |
| Deposits in the U.S. Treasury investment pool in the name of the State | 484,480 | 484,480 |
| Uncollateralized or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the State's name | 66,157 | 66,129 |
| Total primary government | <u>588,540</u> | <u>665,670</u> |
| <i>Component units:</i> | | |
| Component unit's share in State Pool of deposits | 675 | 716 |
| Uncollateralized or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the State's name | 57,331 | 57,331 |
| Total component units | <u>58,006</u> | <u>58,047</u> |
| Total deposits reporting entity | <u>\$ 646,546</u> | <u>\$ 723,717</u> |

C. Investments

Nevada Revised Statute (NRS) 355.140 details the types of securities in which the State may invest. In general, authorized investments include: securities guaranteed by federal, state, county or incorporated city governments; corporate or depository institution debt securities that are rated AAA or A-1 by national rating agencies; and registered money market funds whose policies meet the criteria set forth in the statute. Additionally, the State may invest in limited types of repurchase agreements; however, statutes generally prohibit the State from entering into reverse-repurchase agreements. The State's Permanent School Fund is further limited by statute as to the types of investments in which it may invest (NRS 355.060). Cash and Investments are also discussed at Note 1 under Assets, Liabilities and Net Assets/Fund Balance.

into the risk associated with the investment and after receiving a written legal opinion of the Attorney General as to the validity and authority of the investment. The Board of Finance reviews the State's investment policies at least every four months. The Board is comprised of the Governor, the State Controller, the State Treasurer and two members appointed by the Governor, one of which must be actively engaged in commercial banking in the State.

During fiscal year 2002, the Public Employees' Retirement System (PERS) and the Legislators' Retirement System (LRS) entered into certain derivative transactions. These transactions included foreign exchange forward contracts, exchange traded fixed income futures and options, asset-backed securities and mortgage backed securities. In addition, PERS and LRS have investments in commingled funds that include derivative instruments such as foreign exchange forward con-

Investments can only be made after a diligent inquiry

Notes to Financial Statements

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(Note 3 Continued)

tracts, futures contracts and fixed income futures contracts.

These transactions are designed to stabilize investment cash flows, to reduce foreign exchange risk, to enhance return on the investment of cash and to manage market risks associated with the underlying securities. They may also reduce exposure to changes in stock prices, interest rates and currency exchange rates. Management believes that it is unlikely that any of the derivatives used could have a material adverse effect on the financial condition of the Systems.

The following table (expressed in thousands) categorizes the State's investments to give an indication of the level of risk associated with those investments at June 30, 2002. Category 1 includes investments that are insured or registered or for which the securities are held by the State or its agent in the State's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the State's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the State's name.

| | Category | | | Unclassified as to Risk | Fair Value |
|---|-------------------|----------|----------------|----------------------------|-------------------|
| | 1 | 2 | 3 | | |
| Primary government: | | | | | |
| Equity securities | \$ 5,084,775 | \$ - | \$ - | \$ - | \$ 5,084,775 |
| Fixed income securities | 4,410,659 | - | - | - | 4,410,659 |
| Foreign investments | 2,253,233 | - | - | - | 2,253,233 |
| Municipal bonds | 1,183,714 | - | - | - | 1,183,714 |
| U.S. Government securities | 927,360 | - | 183,938 | - | 1,111,298 |
| Commercial paper | 468,178 | - | - | - | 468,178 |
| Asset backed securities | 158,089 | - | - | - | 158,089 |
| Mortgage backed loans | 65,808 | - | - | - | 65,808 |
| Repurchase agreements | 65,072 | - | - | - | 65,072 |
| Negotiable certificates of deposit | 58,417 | - | - | - | 58,417 |
| Corporate notes | 20,937 | - | - | - | 20,937 |
| Corporate bonds | 12,112 | - | - | - | 12,112 |
| Other short term investments | 7,251 | - | 121,193 | - | 128,444 |
| Bank acceptances | 3,360 | - | - | - | 3,360 |
| Partnership securities | 3 | - | - | - | 3 |
| Investment agreements | - | - | 207,598 | - | 207,598 |
| | <u>14,718,968</u> | <u>-</u> | <u>512,729</u> | <u>-</u> | <u>15,231,697</u> |
| Mortgage loans | | | | 3,541 | 3,541 |
| Other investments | | | | 133,575 | 133,575 |
| Real estate | | | | 1,177,947 | 1,177,947 |
| Securities loaned | | | | 679,023 | 679,023 |
| | | | | <u>1,994,086</u> | <u>1,994,086</u> |
| Investments held by broker-dealers under securities loans: | | | | | |
| Equity securities | | | | 515,985 | 515,985 |
| Fixed income securities | | | | 751,095 | 751,095 |
| Foreign investments | | | | 132,494 | 132,494 |
| | | | | <u>1,399,574</u> | <u>1,399,574</u> |
| Investments held by agents in mutual funds for: | | | | | |
| Fiduciary funds | | | | 724,613 | 724,613 |
| Total primary government | <u>14,718,968</u> | <u>-</u> | <u>512,729</u> | <u>4,118,273</u> | <u>19,349,970</u> |

(Table Continued on Next Page)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2002

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(Note 3 Continued)

| | Category | | | Unclassified as to Risk | Fair Value |
|--|----------------------|-------------|-------------------|----------------------------|----------------------|
| | 1 | 2 | 3 | | |
| Component units: | | | | | |
| Equity securities | - | - | 29,946 | - | 29,946 |
| U. S. Government securities | 86,975 | - | 801 | - | 87,776 |
| Corporate bonds | - | - | 1,191 | - | 1,191 |
| Other short term investments | - | - | 3,739 | - | 3,739 |
| Negotiable certificates of deposits | 1,581 | - | - | - | 1,581 |
| Bank acceptances | 187 | - | - | - | 187 |
| Commercial paper | 1,053 | - | - | - | 1,053 |
| Corporate notes | 844 | - | - | - | 844 |
| Mortgage backed loans | 3,661 | - | - | - | 3,661 |
| | <u>94,301</u> | <u>-</u> | <u>35,677</u> | <u>-</u> | <u>129,978</u> |
| Investments in partnerships | | | | 83,603 | 83,603 |
| Investments held by agents in mutual funds for: | | | | | |
| University System | | | | 259,165 | 259,165 |
| Total component units | <u>94,301</u> | <u>-</u> | <u>35,677</u> | <u>342,768</u> | <u>472,746</u> |
| Total investments reporting entity | <u>\$ 14,813,269</u> | <u>\$ -</u> | <u>\$ 548,406</u> | <u>\$ 4,461,041</u> | <u>\$ 19,822,716</u> |

Investments held in the Local Government Investment Pool (LGIP) and Nevada Enhanced Savings Term (NVEST) are specifically identifiable investment securities and are included in the table above. LGIP and NVEST are investment trust funds governed by the Nevada State Board of Finance and administered by the Nevada State Treasurer. LGIP and NVEST are discussed further under Note 1, Assets, Liabilities and Net Assets/Fund Balance. Complete financial statements for LGIP and NVEST may be obtained from the State Treasurer's Office, 101 N. Carson Street, Suite 4, Carson City, NV, 89701.

D. Securities Lending

NRS 355.135 authorizes the State Treasurer to participate in securities lending transactions, where the State's U.S. Government securities are loaned to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The State's securities lending agent administers the securities lending program and receives cash or other securities equal to at least 102% of the fair value of the loaned securities plus accrued interest as collateral for securities of the type on loan at year-end. The collateral for the loans is maintained at 102%, and the value of the securities borrowed must be determined on a daily basis.

Securities on loan as of June 30, 2002 for cash collateral are presented as unclassified in the preceding table of credit risk. At year-end, the State has no credit risk exposure to borrowers because the amount the State owes to borrowers exceeds the amounts the borrowers owe to the State. The collateral securities cannot be pledged or sold by the State unless the borrower defaults. The contract with the securities lending agent requires it to indemnify the State for all losses relating to securities lending transactions. There were no losses resulting from borrower default during the period nor were there any recoveries of prior period losses.

There are no restrictions on the amount of securities that can be loaned. Either the State or the borrower can terminate all open securities loans on demand. All term securities loans can be terminated with five days notice by either the State or the borrower. Cash collateral is invested in accordance with the investment guidelines approved by the Board of Finance. The maturities of the investments made with cash collateral generally match the maturities of the securities loans.

The fair value of securities on loan at June 30, 2002 is \$679,023,347. The fair value of the cash collateral received in securities lending arrangements

(Note 3 Continued)

of \$693,002,148 is reported on the Statement of Net Assets as an asset with a related liability. At June 30, 2002, the State has collateral with a fair value totaling \$694,942,064 which consists of cash, commercial paper, repurchase agreements, and domestic corporate/ fixed income securities. The total collateral received is in excess of the fair value of the investments held by brokers/dealers under the securities lending agreement. The State incurred costs of \$15,119,096 relating to securities lending transactions. These costs are included as general government expenditures for governmental funds, as interest expense for proprietary fund types, and as cost of securities lending on the statement of changes in fiduciary net assets for the fiduciary funds.

PERS also maintains a securities lending program under the authority of the "prudent person" standard of NRS 286.682. Securities loaned under this program consist of U.S. Treasury Obligations, corporate fixed income securities, international fixed income securities, equity securities and international equity securities. Collateral received is made up of cash, cash equivalents, corporate fixed income securities and U.S. Treasury Obligations equal to at least 102% of the fair value of the loaned securities plus accrued interest. The collateral for the loans is maintained at 102%, and the value of the securities borrowed must be determined on a daily basis.

Securities on loan as of June 30, 2002 for cash collateral are presented as unclassified in the preceding table of credit risk. At year-end, PERS has no credit risk exposure to borrowers because the amount PERS owes to borrowers exceeds the amounts the borrowers owe to PERS. PERS has no discretionary authority to sell or pledge collateral received or securities loaned. The contract with the securities lending agent requires it to indemnify PERS for all losses relating to securities lending transactions. There were no losses resulting from borrower default during the period nor were there any recoveries of prior period losses.

PERS may only loan up to 33 1/3% of its total portfolio. Either PERS or the borrower can terminate all securities loans on demand. Cash collateral is only invested in high quality short-term securities in accordance with

PERS' Investment Objectives and Policies. The maturities of the investments made with cash collateral generally match the maturities of the securities loaned.

The fair value of securities on loan at June 30, 2002 is \$1,399,573,601. The fair value of the cash collateral received in securities lending arrangements of \$1,436,110,145 is reported on the Statement of Fiduciary Net Assets as an asset with a related liability. At June 30, 2002, PERS has collateral with a fair value of \$1,444,763,027 consisting of cash, cash equivalents, corporate fixed income securities and U.S. Treasury Obligations in excess of the market value of investments held by brokers/dealers under a securities lending agreement. PERS incurred costs of \$39,247,176 relating to securities lending transactions.

E. Investment Commitments

The Public Employees' Retirement System of Nevada has entered into investment funding commitments as of June 30, 2002. For alternative investments, PERS has committed to fund \$361,723,088 at some future date. Alternative investments consist of acquisitions, industry consolidations, subordinated debt instruments, special situations, and venture capital.

As of June 30, 2002, the University and Community College System of Nevada (UCCSN), a component unit, had entered into various investment agreements with private equity partnerships. Under the terms of certain of these investment agreements, UCCSN is obligated to make additional investments in these private equity partnerships of \$19,223,000.

Notes to Financial Statements

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Note 4 - Receivables

Receivable balances are disaggregated by type and presented separately in the financial statements. Significant receivable balances not expected to be collected within one year and not already classified in the fund financials are presented below (expressed in thousands):

| | <u>Governmental Funds</u> | <u>University System</u> |
|--|-------------------------------|------------------------------|
| As shown on financial statements: | | |
| Intergovernmental receivables | \$ 377,728 | \$ 26,884 |
| Notes/loans receivable | 698 | 10,014 |
| Total | <u>\$ 378,426</u> | <u>\$ 36,898</u> |
| Classified: | | |
| <i>Noncurrent portion:</i> | | |
| Intergovernmental receivables | \$ 192,299 | \$ - |
| Notes/loans receivable | 694 | 8,210 |
| Total noncurrent portion | <u>192,993</u> | <u>8,210</u> |
| <i>Current portion</i> | <u>185,433</u> | <u>28,688</u> |
| Total | <u>\$ 378,426</u> | <u>\$ 36,898</u> |

Not included in the receivable balances are amounts considered to be uncollectible. \$42.4 million of taxes receivable in the Governmental funds are estimated to be uncollectible, of which \$24.5 million are from businesses filing bankruptcy. Uncollectible accounts receivable in the Governmental funds total \$15.6 million. The proprietary funds have \$12.8 million in uncollectible accounts receivable of which \$8.6 million is from unemployment contributions and benefit overpayments.

Note 5 - Interfund Transactions

A. Interfund Advances

A summary of interfund advances at June 30, 2002, follows (expressed in thousands):

| | <u>Advances From</u> | | | |
|-----------------------|----------------------|--------------------------|--|------------------|
| | <u>Major Funds</u> | | | |
| | <u>General</u> | <u>State Highway</u> | <u>Consolidated Bond Interest and Redemption</u> | <u>Total</u> |
| Advances To | | | | |
| Nonmajor governmental | \$ 591 | \$ - | \$ - | \$ 591 |
| Nonmajor enterprise | 125 | - | - | 125 |
| Internal Service | 5,702 | 15 | 3,400 | 9,117 |
| Total other funds | 6,418 | 15 | 3,400 | 9,833 |
| Fiduciary | 2,986 | - | - | 2,986 |
| Total | <u>\$ 9,404</u> | <u>\$ 15</u> | <u>\$ 3,400</u> | <u>\$ 12,819</u> |

Interfund advances are the portions of interfund balances that are *not* expected to be repaid within one year. The interfund balances that are expected to be repaid within one year are shown in the Due From/Due To summary below.

The increase in the advance between the General Fund and the fiduciary funds is a loan for operating purposes for the Higher Education Tuition Trust. The Consolidated Bond Interest and Redemption Fund advance to the Internal Service Funds is for computer facility capital expenditures.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2002

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(Note 5 Continued)

B. Due From/Due To Other Funds and Component Units

A summary of due from and due to other funds and component units at June 30, 2002, is shown below (expressed in thousands):

| | Due To | | | | | |
|---------------------------|--------------------------|---------------|---------------------|-----------------------------------|-----------------------|--------------------|
| | Major Governmental Funds | | | | | Total Governmental |
| Due From | General | State Highway | Municipal Bond Bank | Cons Bond Interest and Redemption | Nonmajor Governmental | |
| Major Governmental Funds: | | | | | | |
| General | \$ - | \$ 3,828 | \$ 28 | \$ 1,155 | \$ 16,427 | \$ 21,438 |
| State Highway | 14,559 | - | - | - | 19,196 | 33,755 |
| Municipal Bond Bank | 128 | - | - | 2,045 | - | 2,173 |
| Nonmajor governmental | 29,406 | 1,551 | - | 426 | 3,717 | 35,100 |
| Total Governmental | 44,093 | 5,379 | 28 | 3,626 | 39,340 | 92,466 |
| Major Enterprise Funds: | | | | | | |
| Housing Division | 3 | - | - | - | - | 3 |
| Nonmajor enterprise | 1,615 | 5 | - | - | 2 | 1,622 |
| Total Enterprise | 1,618 | 5 | - | - | 2 | 1,625 |
| Internal Service | 2,109 | 1,503 | - | 250 | 5 | 3,867 |
| Total other funds | \$ 47,820 | \$ 6,887 | \$ 28 | \$ 3,876 | \$ 39,347 | \$ 97,958 |
| Total Fiduciary | \$ 156 | \$ - | \$ - | \$ - | \$ 360 | \$ 516 |
| Component Units: | | | | | | |
| University System | \$ 1,312 | \$ - | \$ - | \$ - | \$ - | \$ 1,312 |
| Colorado River Commission | 3 | - | - | - | - | 3 |
| Total Component Units | \$ 1,315 | \$ - | \$ - | \$ - | \$ - | \$ 1,315 |

| | Due To | | | | | |
|---------------------------|------------------------|---------------------|------------------|------------------|-------------------|------------|
| | Major Enterprise Funds | | Total Enterprise | Internal Service | Total Other Funds | Fiduciary |
| Due From | Housing Division | Nonmajor Enterprise | | | | |
| Major Governmental Funds: | | | | | | |
| General | \$ 4 | \$ 1,656 | \$ 1,660 | \$ 5,507 | \$ 28,605 | \$ 274,326 |
| State Highway | - | 42 | 42 | 2,214 | 36,011 | 2,134 |
| Municipal Bond Bank | - | 167 | 167 | - | 2,340 | - |
| Nonmajor governmental | - | 30 | 30 | 2,313 | 37,443 | 65 |
| Total Governmental | 4 | 1,895 | 1,899 | 10,034 | 104,399 | 276,525 |
| Major Enterprise Funds: | | | | | | |
| Housing Division | - | - | - | 5 | 8 | - |
| Nonmajor enterprise | - | - | - | 139 | 1,761 | 135 |
| Total Enterprise | - | - | - | 144 | 1,769 | 135 |
| Internal Service | 2 | 17 | 19 | 347 | 4,233 | 496 |
| Total other funds | \$ 6 | \$ 1,912 | \$ 1,918 | \$ 10,525 | \$ 110,401 | \$ 277,156 |
| Fiduciary | \$ - | \$ 10 | \$ 10 | \$ 33 | \$ 559 | \$ 18,722 |
| Component Units: | | | | | | |
| University System | \$ - | \$ 16 | \$ 16 | \$ 349 | \$ 1,677 | \$ - |
| Colorado River Commission | - | - | - | 6 | 9 | - |
| Total Component Units | \$ - | \$ 16 | \$ 16 | \$ 355 | \$ 1,686 | \$ - |

| | Due To | | |
|---------------------------|-------------------|---------------------------|-----------------------|
| | Component Units | | |
| Due From | University System | Colorado River Commission | Total Component Units |
| Major Governmental Funds: | | | |
| General | \$ 8,158 | \$ 459 | \$ 8,617 |
| State Highway | 237 | - | 237 |
| Nonmajor governmental | 72,091 | - | 72,091 |
| Total Governmental | 80,486 | 459 | 80,945 |
| Nonmajor enterprise | 39 | - | 39 |
| Internal Service | 67 | - | 67 |
| Total other funds | \$ 80,592 | \$ 459 | \$ 81,051 |

The balances result from timing differences between the date goods and services are provided or reimbursable expenses occur and the date the transactions are recorded in the accounting system and payment is made.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2002

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(Note 5 Continued)

C. Transfers To/Transfers From Other Funds and Component Units

A summary of transfers between funds and between the primary government and the component units for the year ended June 30, 2002, is shown below (expressed in thousands):

| | Transfers Out/To | | | | | | |
|--|--------------------------|------------------|------------------------|--------------------------------------|-----------|--------------------------|-----------------------|
| | Major Governmental Funds | | | | | Nonmajor Governmental | Total Governmental |
| | General | State Highway | Municipal Bond Bank | Cons Bond Interest and Redemption | | | |
| Transfers In/From | | | | | | | |
| Major Governmental Funds: | | | | | | | |
| General | \$ - | \$ 2,970 | \$ 237 | \$ 10,000 | \$ 80,407 | \$ 93,614 | |
| State Highway | 3,767 | - | - | - | 411 | 4,178 | |
| Consolidated Bond Interest and Redemption | 7,157 | - | 80,682 | - | 8,348 | 96,187 | |
| Nonmajor governmental | 30,109 | 6,542 | - | - | 1,423 | 38,074 | |
| Total Governmental | 41,033 | 9,512 | 80,919 | 10,000 | 90,589 | 232,053 | |
| Nonmajor enterprise | 316 | - | - | - | 116 | 432 | |
| Internal Service | 132 | - | - | - | 140 | 272 | |
| Total other funds | \$ 41,481 | \$ 9,512 | \$ 80,919 | \$ 10,000 | \$ 90,845 | \$ 232,757 | |
| Total Fiduciary | \$ - | \$ - | \$ - | \$ - | \$ 14 | \$ 14 | |
| Component Units: | | | | | | | |
| University System | \$ 349,118 | \$ - | \$ - | \$ 110 | \$ 57,617 | \$ 406,845 | |
| Colorado River Commission | - | - | - | - | - | - | |
| Total Component Units | \$ 349,118 | \$ - | \$ - | \$ 110 | \$ 57,617 | \$ 406,845 | |

| | Transfers Out/To | | | | | | |
|--|---------------------------|-----------|------------------------|---------------------|---------------------|------------|----------------------|
| | Major Enterprise Funds | | Nonmajor Enterprise | Total Enterprise | Internal Service | Fiduciary | Total Other Funds |
| | Housing Division | | | | | | |
| Transfers In/From | | | | | | | |
| Major Governmental Funds: | | | | | | | |
| General | \$ 2,791 | \$ 16,810 | \$ 19,601 | \$ 1,188 | \$ - | \$ 114,403 | |
| State Highway | - | - | - | 46 | - | 4,224 | |
| Consolidated Bond Interest and Redemption | - | 3 | 3 | - | - | 96,190 | |
| Nonmajor governmental | - | 66 | 66 | 250 | 14 | 38,404 | |
| Total Governmental | 2,791 | 16,879 | 19,670 | 1,484 | 14 | 253,221 | |
| Nonmajor enterprise | - | - | - | - | - | 432 | |
| Internal Service | - | - | - | - | - | 272 | |
| Total other funds | \$ 2,791 | \$ 16,879 | \$ 19,670 | \$ 1,484 | \$ 14 | \$ 253,925 | |
| Fiduciary | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 14 | |
| Component Units: | | | | | | | |
| University System | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 406,845 | |
| Colorado River Commission | - | - | - | - | - | - | |
| Total Component Units | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 406,845 | |

| | Transfers Out/To | | |
|---------------------------|----------------------|------------------------------|--------------------------|
| | Component Units | | |
| | University System | Colorado River Commission | Total Component Units |
| Transfers In/From | | | |
| Major Governmental Funds: | | | |
| General | \$ 28 | \$ - | \$ 28 |
| Total other funds | \$ 28 | \$ - | \$ 28 |

The general purpose for transfers is to move monies from funds required by statute to collect them to the funds required by statute or budget to expend them, and to move monies collected for debt service purposes to the debt service fund required to make the payment. The exceptions were two transfers to the General Fund: 1) \$2,750,000 was transferred from the Housing fund to help finance low income housing and energy assistance provided by the Welfare Division, and 2) \$10,000,000 was transferred from the Consolidated Bond Interest and Redemption fund, representing a return of accumulated interest which was not needed for debt service.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2002

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Note 6 - Restricted Assets

Various debt service, operation and maintenance, capital improvement and construction (acquisition) funding requirements of bond covenants, and trust indentures are recorded as restricted assets on the Statement of Net Assets. The components of restricted assets at June 30, 2002 are as follows (expressed in thousands):

| | Business-Type Activities | Total Primary Government | Component Units |
|-------------------------------|-----------------------------|-----------------------------|------------------|
| Restricted: | | | |
| Cash | \$ - | \$ - | \$ 24,627 |
| Investments | 105,685 | 105,685 | - |
| Total | \$ 105,685 | \$ 105,685 | \$ 24,627 |
| Restricted for: | | | |
| Debt service | \$ - | \$ - | \$ 7,446 |
| Debt service reserve | 105,685 | 105,685 | - |
| Construction reserve | - | - | 16,474 |
| Other and all purpose reserve | - | - | 707 |
| Total | \$ 105,685 | \$ 105,685 | \$ 24,627 |

Note 7 - Capital Assets

Capital asset activity of the primary government for the year ended June 30, 2002, was as follows (expressed in thousands):

| | Beginning Balance | Increases and Other Additions | Decreases and Other Deletions | Ending Balance |
|---|----------------------|----------------------------------|----------------------------------|---------------------|
| Governmental activities: | | | | |
| <i>Capital assets, not being depreciated</i> | | | | |
| Land | \$ 93,153 | \$ 7,011 | \$ - | \$ 100,164 |
| Construction in progress | 255,677 | 21,367 | (53,960) | 223,084 |
| Infrastructure | 2,454,379 | 69,734 | - | 2,524,113 |
| Rights-of-way | 350,365 | 3,296 | - | 353,661 |
| Total capital assets, not being depreciated | 3,153,574 | 101,408 | (53,960) | 3,201,022 |
| <i>Capital assets, being depreciated</i> | | | | |
| Buildings | 684,640 | 67,873 | (670) | 751,843 |
| Improvements other than buildings | 68,556 | 4,179 | - | 72,735 |
| Furniture and equipment | 350,823 | 28,912 | (14,014) | 365,721 |
| Total capital assets, being depreciated | 1,104,019 | 100,964 | (14,684) | 1,190,299 |
| <i>Less accumulated depreciation for:</i> | | | | |
| Buildings | (164,277) | (20,333) | 16 | (184,594) |
| Improvements other than buildings | (29,814) | (2,999) | - | (32,813) |
| Furniture and equipment | (227,674) | (33,147) | 11,873 | (248,948) |
| Total accumulated depreciation | (421,765) | (56,479) | 11,889 | (466,355) |
| Total capital assets, being depreciated, net | 682,254 | 44,485 | (2,795) | 723,944 |
| Governmental activity capital assets, net | \$ 3,835,828 | \$ 145,893 | \$ (56,755) | \$ 3,924,966 |
| Business-type activities: | | | | |
| <i>Capital assets, not being depreciated</i> | | | | |
| Land | \$ 435 | \$ - | \$ - | \$ 435 |
| Construction in progress | 330 | - | (330) | - |
| Total capital assets, not being depreciated | 765 | - | (330) | 435 |
| <i>Capital assets, being depreciated</i> | | | | |
| Buildings | 2,648 | 330 | - | 2,978 |
| Improvements other than buildings | 631 | - | - | 631 |
| Furniture and equipment | 4,130 | 453 | (73) | 4,510 |
| Total capital assets, being depreciated | 7,409 | 783 | (73) | 8,119 |
| <i>Less accumulated depreciation for:</i> | | | | |
| Buildings | (1,031) | (33) | - | (1,064) |
| Improvements other than buildings | (450) | (64) | - | (514) |
| Furniture and equipment | (3,913) | (365) | 66 | (4,212) |
| Total accumulated depreciation | (5,394) | (462) | 66 | (5,790) |
| Total capital assets, being depreciated, net | 2,015 | 321 | (7) | 2,329 |
| Business-type activities capital assets, net | \$ 2,780 | \$ 321 | \$ (337) | \$ 2,764 |

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2002

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(Note 7 Continued)

Current period depreciation expense was charged to functions of the primary government as follows (expressed in thousands):

| | |
|---|-------------------------|
| Governmental activities: | |
| General government | \$ 3,397 |
| Education, support services | 1,261 |
| Health, social services | 8,318 |
| Law, justice, public safety | 17,408 |
| Recreation, resource development | 4,828 |
| Transportation | 11,403 |
| Regulation of business | 617 |
| Unallocated | 1,144 |
| Depreciation on capital assets held by the State's internal service funds is charged to the various functions based on their use of the assets | <u>5,691</u> |
| Total depreciation expense - governmental activities | \$ <u>54,067</u> |
| Business-type activities: | |
| Enterprise | <u>338</u> |
| Total depreciation expense - business-type activities | \$ <u>338</u> |

Capital asset activity of the University System for the year ended June 30, 2002, was as follows (expressed in thousands):

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------------|--------------------------|---------------------------|---------------------------|
| University System: | | | | |
| <i>Capital assets, not being depreciated</i> | | | | |
| Construction in progress | \$ 48,795 | \$ 31,036 | \$ (44,701) | \$ 35,130 |
| Land | 36,773 | 9,334 | (25) | 46,082 |
| Collections | 3,884 | 400 | - | 4,284 |
| Total capital assets, not being depreciated | <u>89,452</u> | <u>40,770</u> | <u>(44,726)</u> | <u>85,496</u> |
| <i>Capital assets, being depreciated</i> | | | | |
| Buildings | 983,233 | 76,428 | - | 1,059,661 |
| Land and improvements | 62,916 | 5,390 | - | 68,306 |
| Machinery and equipment | 181,363 | 27,599 | (13,887) | 195,075 |
| Library books and media | 71,759 | 7,402 | (2,239) | 76,922 |
| Total capital assets, being depreciated | <u>1,299,271</u> | <u>116,819</u> | <u>(16,126)</u> | <u>1,399,964</u> |
| <i>Less accumulated depreciation for:</i> | | | | |
| Buildings | (243,215) | (23,609) | - | (266,824) |
| Land and improvements | (40,540) | (3,308) | - | (43,848) |
| Machinery and equipment | (118,314) | (19,354) | 12,483 | (125,185) |
| Library books and media | (53,778) | (8,316) | 2,240 | (59,854) |
| Total accumulated depreciation | <u>(455,847)</u> | <u>(54,587)</u> | <u>14,723</u> | <u>(495,711)</u> |
| Total capital assets, being depreciated, net | <u>843,424</u> | <u>62,232</u> | <u>(1,403)</u> | <u>904,253</u> |
| University System activity capital assets, net | \$ <u>932,876</u> | \$ <u>103,002</u> | \$ <u>(46,129)</u> | \$ <u>989,749</u> |

Note 8 - Long - Term Obligations

A. Bonds Payable

The State issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and special obligation bonds are direct obligations and pledge the full faith and credit of the State. General obligation bonds and special obligation bonds of the primary government outstanding at June 30, 2002 are comprised of the following (expressed in thousands):

| | <u>Interest Rates</u> | <u>Original Amount</u> | <u>Principal Outstanding</u> |
|--|---------------------------|----------------------------|----------------------------------|
| Governmental activities: | | | |
| <i>General obligation bonds:</i> | | | |
| Subject to Constitutional Debt Limitation | 3.0-10.0% | \$ 978,320 | \$ 786,565 |
| Exempt from Constitutional Debt Limitation | 3.0-8.5% | 2,073,496 | 1,399,233 |
| <i>Special obligation bonds:</i> | | | |
| Exempt from Constitutional Debt Limitation- Highway Improvement Revenue Bonds | 4.5-5.25% | 100,000 | 91,935 |
| Governmental activity bonds payable | | <u>3,151,816</u> | <u>2,277,733</u> |
| Business-type activities: | | | |
| <i>General obligation bonds:</i> | | | |
| Exempt from Constitutional Debt Limitation | 1.7-9.65% | 2,162,207 | 1,371,250 |
| Business-type activity bonds payable | | <u>2,162,207</u> | <u>1,371,250</u> |
| Total bonds payable | | <u>\$ 5,314,023</u> | <u>\$ 3,648,983</u> |

B. Changes in Long-Term Liabilities

The following is a summary of changes in long-term obligations of the primary government for the fiscal year ended June 30, 2002 (expressed in thousands):

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---|------------------------------|-------------------|---------------------|---------------------------|--------------------------------|
| Governmental activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 2,146,506 | \$ 133,427 | \$ (94,135) | \$ 2,185,798 | \$ 81,335 |
| Special obligation bonds | 100,000 | - | (8,065) | 91,935 | 8,430 |
| Total bonds payable | <u>2,246,506</u> | <u>133,427</u> | <u>(102,200)</u> | <u>2,277,733</u> | <u>89,765</u> |
| Obligations under capital leases | 30,432 | 1,699 | (26,729) | 5,402 | 1,675 |
| Compensated absences obligations | 65,707 | 94,371 | (85,727) | 74,351 | 46,916 |
| Arbitrage rebate liability | 2,511 | - | (1,949) | 562 | - |
| Certificates of participation | 15,000 | - | (605) | 14,395 | 630 |
| Federal repayment contract | 116,028 | - | (116,028) | - | - |
| Judicial retirement net pension obligation | 10,480 | 5,511 | (2,602) | 13,389 | 1,301 |
| Governmental activity long-term obligations | <u>\$ 2,486,664</u> | <u>\$ 235,008</u> | <u>\$ (335,840)</u> | <u>\$ 2,385,832</u> | <u>\$ 140,287</u> |
| Business-type activities: | | | | | |
| Bonds payable | \$ 1,335,352 | \$ 225,341 | \$ (189,443) | \$ 1,371,250 | \$ 74,521 |
| Compensated absences obligations | 1,077 | 1,916 | (1,750) | 1,243 | 813 |
| Arbitrage rebate liability | 104 | - | (61) | 43 | - |
| Business-type activity long-term obligations | <u>\$ 1,336,533</u> | <u>\$ 227,257</u> | <u>\$ (191,254)</u> | <u>\$ 1,372,536</u> | <u>\$ 75,334</u> |

C. Debt Service Requirements for Bonds

Debt service requirements (principal and interest) for all long-term bonds and notes outstanding at June 30, 2002, of the primary government are summarized in the table following (expressed in thousands). Debt service requirements for all capital leases and installment purchases are presented in Section I of this note. No debt service requirements are presented for compensated absences obligations since the repayment dates are unknown.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2002

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(Note 8 Continued)

| Year Ended June 30 | Governmental Activities | | Business-Type Activities | |
|-----------------------|-------------------------|---------------------|--------------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2003 | \$ 89,765 | \$ 116,936 | \$ 74,558 | \$ 62,801 |
| 2004 | 99,489 | 112,305 | 26,058 | 67,563 |
| 2005 | 109,166 | 107,085 | 27,607 | 66,605 |
| 2006 | 118,200 | 101,543 | 29,392 | 64,025 |
| 2007 | 122,067 | 97,817 | 31,795 | 62,167 |
| 2008-2012 | 642,196 | 382,005 | 172,653 | 285,223 |
| 2013-2017 | 476,835 | 229,607 | 237,981 | 230,451 |
| 2018-2022 | 304,570 | 127,071 | 242,343 | 166,076 |
| 2023-2027 | 294,095 | 49,643 | 266,621 | 92,959 |
| 2028-2032 | 21,350 | 1,068 | 165,212 | 38,283 |
| 2033-2037 | - | - | 97,030 | 5,264 |
| Total | \$ 2,277,733 | \$ 1,325,080 | \$ 1,371,250 | \$ 1,141,417 |

D. Constitutional Debt Limitations

Section 3, Article 9, of the State Constitution (as amended) limits the aggregate principal amount of the State's public debt to two percent (2%) of the assessed valuation of the State. Exempt from this limitation are debts authorized by the Legislature that are incurred for the protection and preservation of, or for obtaining the benefits of, any property or natural resources within the State. At June 30, 2002, the debt limitation and its unused portion are computed as follows (expressed in thousands):

| | |
|---|-------------------|
| Debt limitation (2% of total assessed valuation) | \$ 1,172,317 |
| Less: Bonds and leases payable as of June 30, 2002, subject to limitation | <u>804,860</u> |
| Remaining debt capacity | <u>\$ 367,457</u> |

E. Nevada Municipal Bond Bank

General obligation bonds have been issued through the Nevada Municipal Bond Bank, a special revenue fund, as authorized by NRS 350A. These bonds are subject to statutory limitation of \$1.8 billion and are exempt from the Constitutional Debt Limitation. Proceeds from the bonds are used to purchase validly issued general obligation bonds of the State's local governments to finance projects related to natural resources. The State anticipates that the debt service revenue it receives from the participating local governments will be sufficient to pay the debt service requirements of the State bonds as they become due. Thirty-seven projects were funded through the Nevada Municipal Bond Bank as of June 30, 2002, and total investments in local governments amounted to \$1,090,275,000.

F. Refunded Debt and Redemptions

On February 14, 2002 the State issued \$48,895,000 General Obligation (Limited Tax) Capital Improvement and Refunding Bonds and \$4,285,000 General Obligation (Limited Tax) Fish Hatchery Improvement and Reservoir Refunding Bonds to partially advance refund \$15,965,000 of the April 1, 1992 General Obligation (Limited Tax) Prison Refunding Bonds and to partially advance refund \$3,245,000 of the April 1, 1992 General Obligation (Limited Tax) Fish Hatchery Improvement and Reservoir Refunding Bonds. The reacquisition price exceeded the carrying amount of the old debt by \$750,559. This amount is being reported as a deferred charge and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt. The State completed the refunding to reduce its total debt service payments by \$1,709,814 and to obtain an economic gain or present value savings of \$1,501,636.

In the current and prior years, the State defeased certain general obligations and other bonds by placing the proceeds of new bonds and other monies in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements. The total amount of defeased issues at June 30, 2002 is \$891,936,000.

G. Amounts Available and Amounts to be Provided for Debt Service

At June 30, 2002, the amount available to service debt in the Consolidated Bond Interest and Redemption debt service fund is \$34,442,029. At June 30, 2002, the amount available to service debt in the Highway Revenue Bonds debt service fund is \$5,301,226. At June

(Note 8 Continued)

30, 2002, the amount available to service the debt in the Municipal Bond Bank special revenue fund is \$1,090,429,543. At June 30, 2002, the amount available to service the Water Project Bonds in the Water Project Loans proprietary fund is \$114,287,972.

The amount to be provided by other governments of \$196,225,000 is due from the Southern Nevada Water Authority (SNWA). Until January 1, 1996 the Colorado River Commission (CRC), a component unit responsible for managing Nevada's interest in the water and power resources available from the Colorado River, operated the Southern Nevada Water System (SNWS). In accordance with Chapter 393 of the 1995 Legislature, certain rights, powers, duties and liabilities of SNWS were transferred from the State and CRC to the SNWA effective January 1, 1996. These rights, powers, duties and liabilities included, but were not limited to, the State of Nevada General Obligation bonds, the existing water user contracts, the Service Contract between CRC and the Las Vegas Valley Water District, and all other contracts related to the SNWS including contracts for capital improvement. Accordingly, the State records the general obligation bonds previously reported in CRC and an associated amount to be provided by other government in the Government-wide Financial Statements.

H. Bond Indenture Provisions

There are restrictions and limitations contained in the various bond indentures. The State is in compliance with the requirements of the bond covenants.

I. Capital Leases

The State has entered into various agreements for the lease of equipment. Assets acquired under such leases at June 30, 2002, have a historical cost of \$12,201,000 with accumulated depreciation of \$7,688,000.

For all capital leases of the primary government, the gross minimum lease payments and the present value of the net minimum lease payments as of June 30, 2002 follow (expressed in thousands):

| Year Ended June 30 | Governmental Activities |
|------------------------------------|----------------------------|
| 2003 | \$ 1,943 |
| 2004 | 1,590 |
| 2005 | 1,035 |
| 2006 | 534 |
| 2007 | 340 |
| 2008-2012 | 659 |
| Total minimum lease payments | 6,101 |
| Less: amount representing interest | (699) |
| Obligations under capital leases | <u>\$ 5,402</u> |

J. Arbitrage Rebate Requirement

The Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the State. Under this requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments (other than certain specified exceptions) over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds, and (b) any income earned on the excess described in (a), must be rebated to the United States Treasury, in order for the interest on the bonds to be excluded from gross income for federal income tax purposes. In accordance with the Internal Revenue Service Regulations, an arbitrage rebate liability has been calculated as of June 30, 2002. The liability as of June 30, 2002, and changes for the fiscal year then ended is presented in Section B of this note.

K. Certificates of Participation

In fiscal year 1999, the Nevada Real Property Corporation, a blended component unit, issued \$15,000,000 of general obligation certificates of participation to finance the acquisition, construction, installation and equipping of a secured juvenile treatment facility.

Under the certificate of participation financing arrangements, the State is required to make payments from general (ad valorem) taxes in the Consolidated Bond Interest and Redemption debt service fund that approximate the interest and principal payments made by trustees to certificate holders.

The following schedule presents future certificates of participation payments as of June 30, 2002 (expressed in thousands):

| Year Ended June 30 | Principal | Interest |
|-----------------------|------------------|-----------------|
| 2003 | \$ 630 | \$ 642 |
| 2004 | 660 | 613 |
| 2005 | 690 | 583 |
| 2006 | 720 | 553 |
| 2007 | 755 | 522 |
| 2008-2012 | 4,290 | 2,081 |
| 2013-2017 | 5,405 | 971 |
| 2018-2022 | 1,245 | 31 |
| Total | <u>\$ 14,395</u> | <u>\$ 5,996</u> |

(Note 8 Continued)

L. Forward Delivery Agreement

The State has entered into a Forward Delivery Agreement for the payment of certain debt service payments through 2028. Under the agreement the State has received a lump sum payment of \$20,475,000 in exchange for giving up the right to receive future interest earnings on investments of debt service balances. The State has no liability or continuing exposure for interest rate risk related to the future earnings on such balances. Such risk is retained by the counterparty. The fee received has been recorded as deferred revenue and will be amortized over the life of the agreement.

M. Interest Rate Swap Agreements

On May 19, 1999, the State entered into a ten-year interest rate swap agreement for \$100 million of its fixed rate General Obligation Bonds. Based upon the swap agreement, the State owes interest calculated at a variable rate based upon the Bond Market Association (BMA) Municipal Swap Index. In return, the counterparty owes the State interest based upon the fixed rate that matches the rate required by the bonds. Only the net difference in the interest payments is actually exchanged with the counterparty. The \$100 million in bond principal is not exchanged; it is only the basis on which the interest payments are calculated. The State continues to pay interest to the bondholders at the fixed rate provided by the bonds. However, during the term of the swap agreement, the State effectively pays interest at the variable rate on the debt. The debt service requirements to maturity for these bonds (Note 8C) are based upon the fixed rate.

On August 8, 2001, the State entered into a two-year interest rate swap agreement for \$100 million of its fixed rate General Obligation Bonds. Based upon the swap agreement, the State owes interest calculated at a fixed

rate. In return, the counterparty owes the State interest based upon variable rate based upon the Bond Market Association (BMA) Municipal Swap Index. Only the net difference in the interest payments is actually exchanged with the counterparty. The \$100 million in bond principal is not exchanged; it is only the basis on which the interest payments are calculated. This swap, in essence, was to reverse the original swap for the two-year period.

On September 19, 2002, the State terminated both swap agreements in exchange for a fee of \$ 2.24 million. During the year ended June 30, 2002 the State received \$769,246 related to these agreements.

N. Conduit Debt Obligations

The State has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The State is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2002, there were fifteen series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$740,983,349.

O. Component Unit Obligations

University System – Bonds, notes and capital leases payable by the University System at June 30, 2002 and the changes for the year then ended, consist of the following (expressed in thousands):

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-------------------------|------------------------------|------------------|--------------------|---------------------------|--------------------------------|
| Bonds and notes payable | \$ 121,915 | \$ 64,396 | \$ (6,361) | \$ 179,950 | \$ 7,022 |
| Capital leases | 33,062 | 5,728 | (27,851) | 10,939 | 1,478 |
| Total | <u>\$ 154,977</u> | <u>\$ 70,124</u> | <u>\$ (34,212)</u> | <u>\$ 190,889</u> | <u>\$ 8,500</u> |

Tuition and fees, auxiliary enterprises' revenue and certain other revenue as defined in the bond indentures secure the student fee revenue bonds.

The following table presents annual principal and interest payments for bonds and notes payable outstanding at June 30, 2002 (expressed in thousands):

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2002

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(Note 8 Continued)

| Year Ended | | | |
|-------------------|-------------------|-------------------|--|
| June 30 | Principal | Interest | |
| 2003 | \$ 7,022 | \$ 9,045 | |
| 2004 | 7,498 | 9,091 | |
| 2005 | 11,018 | 8,601 | |
| 2006 | 8,413 | 8,065 | |
| 2007 | 8,631 | 7,612 | |
| 2008-2012 | 38,077 | 31,129 | |
| 2013-2017 | 35,510 | 21,817 | |
| 2018-2022 | 32,475 | 12,999 | |
| 2023-2027 | 15,480 | 7,123 | |
| 2028-2032 | 15,826 | 2,534 | |
| Total | \$ 179,950 | \$ 118,016 | |

Accrued compensated absences payable by the University System at June 30, 2002 are \$28,029,000.

Future net minimum rental payments that are required under the capital leases by the University System for the years ending June 30 are as follows (expressed in thousands):

| Year Ended | | Amount |
|------------------------------------|--|------------------|
| June 30 | | |
| 2003 | | \$ 2,069 |
| 2004 | | 1,878 |
| 2005 | | 1,660 |
| 2006 | | 1,466 |
| 2007 | | 1,293 |
| 2008-2012 | | 5,604 |
| Total minimum lease payments | | 13,970 |
| Less: amount representing interest | | (3,031) |
| Obligations under capital leases | | \$ 10,939 |

At June 30, 2002 debt in the amount of \$5,210,000 is considered to be extinguished by the University System through refunding of prior issues by a portion of the current issues. Sufficient proceeds were invested in state and local government securities and placed in escrow to assure the timely payment of the maturities of prior issues. Neither the debt nor the escrowed assets are reflected on the financial statements.

Colorado River Commission – Bonds payable by the Colorado River Commission (CRC) at June 30, 2002 and the changes for the year then ended, consist of the following (expressed in thousands):

| | Beginning | | Additions | | Reductions | | Ending | | Due Within |
|---------------|------------------|--|------------------|--|-------------------|--|----------------|--|-------------------|
| | Balance | | | | | | Balance | | One Year |
| Bonds payable | \$ 126,074 | | \$ 6,321 | | \$ (10,179) | | \$ 122,216 | | \$ 1,045 |

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2002

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(Note 8 Continued)

Scheduled maturities for bonds payable by CRC for the years ending June 30 are as follows (expressed in thousands):

| Year Ended June 30 | Principal | Interest |
|-----------------------|-------------------|-------------------|
| 2003 | \$ 1,045 | \$ 7,161 |
| 2004 | 1,135 | 7,112 |
| 2005 | 1,225 | 7,054 |
| 2006 | 1,420 | 6,984 |
| 2007 | 1,620 | 6,904 |
| 2008-2012 | 26,445 | 30,655 |
| 2013-2017 | 45,970 | 20,188 |
| 2018-2022 | 16,180 | 10,131 |
| 2023-2027 | 20,990 | 4,993 |
| 2028-2032 | 7,520 | 402 |
| Total | \$ 123,550 | \$ 101,584 |

Accrued compensated absences payable by CRC at June 30, 2002 are \$171,184.

Note 9 - Pensions and Other Employee Benefits

The Nevada Legislature created various plans to provide benefits to qualified employees and certain elected officials of the State as well as employees of other public employers. The Public Employees' Retirement Board administers the Public Employees' Retirement System of Nevada (PERS), the Legislators' Retirement System of Nevada (LRS) and the Judicial Retirement System of Nevada (JRS). A summary description of the plans follows.

A. PERS

Plan Description - All full-time State employees and full-time employees of participating local government entities in the State are members in the PERS, a defined benefit cost sharing, multiple-employer public employees' retirement system established in 1947 by the Nevada Legislature. Any government employer in the State may elect to have its general, police and fire department employees covered by PERS.

Benefits, as required by statute, are determined by the number of years of accredited service at the time of retirement and the member's highest average compensation in any 36 consecutive months. Benefit payments to which participants may be entitled under the plan include pension benefits, disability benefits and death benefits. Monthly benefit allowances for regular members are computed at 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned after July 1, 2001, this multiplier is 2.67%

of average compensation. Regular members are eligible for retirement at age 65 with 5 years of service, at age 60 with 10 years of service or at any age with 30 years of service. Police and firemen are eligible for retirement at age 65 with 5 years of accredited police or fire service, at age 55 with 10 years of accredited police or fire service, at age 50 with 20 years of accredited police or fire service, or at any age with 25 years of accredited service. A member who retired on or after July 1, 1977, or is an active member whose effective date of membership is before July 1, 1985, is entitled to a benefit of up to 90% of average compensation with 36 or more years of service. Regular members and police and firemen become fully vested as to benefits upon completion of 5 years of service.

Member Contributions - The authority for establishing and amending the obligation to make contributions, and member contribution rates, is provided by statute. New hires of the State of Nevada and public employers, who did not elect the employer-pay contribution plan prior to July 1, 1983, have the option of selecting either the employee and employer contribution plan or the employer-pay contribution plan. One plan provides for matching employee and employer contributions while the other plan provides for employer-pay contributions only.

Funding Policy - PERS' basic funding policy provides for periodic contributions at a level pattern of cost as a per-

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2002

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(Note 9 Continued)

centage of salary throughout an employee's working lifetime, in order to accumulate sufficient assets to pay benefits when due. Although PERS receives an actuarial valuation on an annual basis indicating the contribution rates required to fund PERS on an actuarial reserve basis, both for funding purposes and GASB disclosure purposes, contributions actually made are in accordance with the required rates established by the Legislature. These statutory rates are increased or decreased pursuant to NRS 286.421 and 286.450.

Actuarially required and statutory employee and employer contribution rates, as a percentage of covered payroll, for regular and police and fire members in effect for the fiscal year ended June 30, 2002, were as follows:

| | Funding Basis | GASB Disclosure Basis | Statutory Rate |
|-----------------------------------|------------------|-----------------------------|-------------------|
| Regular employees: | | | |
| Employer-pay plan | 18.96% | 19.45% | 18.75% |
| Employee/employer plan | 9.91% | 10.16% | 9.75% |
| Police and Fire employees: | | | |
| Employer-pay plan | 28.45% | 29.70% | 28.50% |
| Employee/employer plan | 14.68% | 15.30% | 14.75% |

The State's contribution requirements for the current fiscal year and each of the two preceding years were (expressed in thousands):

| | 2002 | | | 2001 (restated) | | | 2000 (restated) | | |
|---|-------------------------|-------------------------|--------------------------------------|-------------------------|-------------------------|--------------------------------------|-------------------------|-------------------------|--------------------------------------|
| | Employees' Contribution | Employers' Contribution | Total State Contribution Requirement | Employees' Contribution | Employers' Contribution | Total State Contribution Requirement | Employees' Contribution | Employers' Contribution | Total State Contribution Requirement |
| Primary Government | \$ 39,227 | \$ 94,966 | \$ 134,193 | \$ 35,348 | \$ 85,654 | \$ 121,002 | \$ 33,190 | \$ 80,703 | \$ 113,893 |
| Component Units: | | | | | | | | | |
| Colorado River Commission | 110 | 206 | 316 | 73 | 166 | 239 | 49 | 126 | 175 |
| University System | 6,452 | 16,587 | 23,039 | 5,896 | 15,115 | 21,011 | 5,383 | 14,160 | 19,543 |
| Total component units | 6,562 | 16,793 | 23,355 | 5,969 | 15,281 | 21,250 | 5,432 | 14,286 | 19,718 |
| Total reporting entity | \$ 45,789 | \$ 111,759 | \$ 157,548 | \$ 41,317 | \$ 100,935 | \$ 142,252 | \$ 38,622 | \$ 94,989 | \$ 133,611 |
| Contributions as % of covered payroll | 6% | 15% | 21% | 6% | 15% | 21% | 6% | 15% | 21% |
| Contributions as % of total contributions of all participating entities of \$759,356, \$716,085 and \$661,769 | 6% | 14% | 20% | 6% | 14% | 20% | 6% | 14% | 20% |

Required Supplementary Information - Schedules of funding progress and employer contributions are presented in the PERS June 30, 2002, comprehensive annual financial report. PERS' financial report may be obtained from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

B. LRS

Plan Description - All State Legislators are members in the Legislators' Retirement System (LRS), a defined benefit, single-employer public employees' retirement system established in 1967 by the Nevada Legislature. LRS

(Note 9 Continued)

is legislated by and functions in accordance with State laws established by the Nevada Legislature. Benefits, as required by statute, are determined by the number of years of accredited service at the time of retirement. Service years include the entire election term whether or not the Legislature is in session. Benefit payments to which participants may be entitled under the plan include pension benefits and death benefits. Monthly benefit allowances are \$25 for each year of service up to thirty years. Contributions and investment earnings provide benefits under the system. Legislators become fully vested as to benefits at age 60 with 8 years of service before July 1, 1985, or at age 60 with 10 years of service after July 1, 1985.

Funding Policy - The Legislator contribution of 15% of compensation is paid by the Legislator only when the Legislature is in session, as required by statute. The Legislature holds sessions every two years. Prior to 1985, the employee contributions were matched by the employer. The 1985 Legislators' Retirement Act includes NRS 218.2387(2) which states, "The Director of the Legislative Counsel Bureau shall pay to the Board from the Legislative Fund an amount as the contribution of the State of Nevada as employer which is actuarially determined to be sufficient to provide the System with enough money to pay all benefits for which the System will be liable." The Legislature appropriated \$345,632 for fiscal years 2001 and 2002, which is the required biennial State contribution as determined by the actuary. This amount was paid by the Legislative Fund in fiscal 2001 and was recognized half each year as an employer contribution in the fiscal years ended June 30, 2001 and 2002. Employee contributions of \$71,370 were received in fiscal year 2001 for fiscal years 2001 and 2002. Of the total employee contributions, \$35,285 was recorded for the year ending June 30, 2001 and \$36,085 was recorded for the year ending June 30, 2002.

Actuarial Information - Actuarial valuations of the LRS are prepared every two years to determine State contributions required to fund the system on an actuarial basis. Actuarial methods and significant assumptions used in the January 1, 2001, actuarial valuation include the following:

Actuarial Cost Method: Entry age normal cost

Amortization Method: Level percent closed

Remaining Amortization Period: 24 years

Asset Valuation Method: 5 year smoothed market

Actuarial Assumptions:

| | |
|----------------------------|------|
| Investment yield | 8% |
| Projected salary increases | None |

Retirement Age for Active Members: Earlier of age 63 or age 60 with 24 years of service

Assumed Mortality Rate: 1983 Group Annuity Mortality Table

Cost of Living (Post-Retirement) Increases:

| |
|--|
| 2% after 3 years of receiving benefits |
| 3% after 6 years of receiving benefits |
| 3.5% after 9 years of receiving benefits |
| 4% after 12 years of receiving benefits |
| 5% after 14 years of receiving benefits |

Trend Information - Three-year trend information follows (expressed in thousands):

| Fiscal Year Ended | Annual Pension Cost | State Contribution Made | Percentage of Annual Pension Cost Contributed | Net Pension Obligation |
|-------------------|---------------------|-------------------------|---|------------------------|
| 6/30/2000 | \$ 167 | \$ - | 0% | \$ - |
| 6/30/2001 | 173 | 346 | 200% | - |
| 6/30/2002 | 173 | - | 0% | - |

(Note 9 Continued)

LRS issues separate financial statements, which are available from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

Required Supplementary Information - A schedule of funding progress is presented in the accompanying Required Supplementary Information (RSI).

C. JRS

Plan Description - The Judicial Retirement System of Nevada (JRS) is in transition from a single-employer, State of Nevada, defined benefit, unfunded plan to a single-employer, State of Nevada, defined benefit plan funded on an actuarial reserve basis. The new plan was established on July 20, 2001, by the Nevada Legislature to provide a reasonable base income to justices of the Supreme Court and district judges at retirement. The JRS is legislated by and functions in accordance with laws established by the Nevada Legislature. The JRS was established to provide benefits in the event of retirement, disability, or death of justices of the Supreme Court and district judges, funded on an actuarial reserve basis. The JRS began with initial funding from the State of Nevada on July 20, 2001, although the JRS is not effective until January 1, 2003. Benefits, as required by statute, are determined by the number of years of accredited service at the time of retirement and the member's highest average compensation in any 36 consecutive months. Benefit payments to which participants may be entitled under the plan include pension benefits, disability benefits and death benefits. Members of the System are eligible for retirement at age 65 with 5 years of service, at age 60 with 10 years of service or at any age with 30 year of service.

Under the old plan, separate financial statements were not issued, nor was the plan included in the report of another PERS. The old plan will cease to exist when the new plan becomes effective January 1, 2003. Until then it will continue to be administered by the Office of the Courts. An actuarial valuation for this plan was prepared according to the provisions of Government Accounting Standards Board Statement No. 27, Accounting for Pensions by State and Local Government Employers. At the actuarial valuation date of July 1, 2001, (the most recent valuation date) members consisted of 33 active members and 34 retirees and beneficiaries receiving benefits.

Benefits to which members may be entitled under the old plan are defined by statute and include pension ben-

efits, disability benefits and death benefits. Justices and judges who have served as a justice of the Supreme Court or a judge of a district court are eligible for retirement at age 60 with five years of aggregate service in any one or more of those courts. The annual benefit is equal to 4.1666 percent of the salary of the last year of service. The benefit is increased 4.1666 percent for each year of service between five years and 22 years. The maximum benefit is three-fourths of the salary of the last year of service at age 60 with 22 years of service. Any justice or judge who has the years of service necessary to retire but has not attained the required age may retire at any age with a benefit actuarially reduced to the required retirement age. Benefits are payable for life.

Contributions and Funding - Beginning January 1, 2003, the Administrative Office of the Courts shall submit the percentage of compensation determined by the actuary to pay the normal costs and administrative expenses of the JRS. Beginning July 1, 2003, the State of Nevada, as employer, will pay to the JRS an amount on the unfunded liability that is actuarially determined to be sufficient to provide the JRS with enough money to pay all benefits for which the JRS will be liable. Until the new plan becomes effective, no contributions are required of the justices or judges. Funding is provided from the General Fund on a pay-as-you-go basis, according to statute. Benefit expenditures are reported in the law, justice and public safety function of the General Fund. The State's contributions for the years ended June 30, 2001 and 2002 were \$1,320,903 and \$1,301,240, respectively. The actuarial valuation at July 1, 2001, determined the annual required contribution for the year ended June 30, 2002, using the entry-age-normal level percent of pay cost method for salary related benefits and the level dollar cost method for non-salary related benefits. The annual required contribution, annual pension cost and net pension obligation for the year ended June 30, 2002, are as follows (expressed in thousands):

| | |
|---|------------------|
| <i>Annual required contribution</i> | |
| Annual normal cost, beginning of year | \$ 659 |
| Amortization of unfunded actuarial accrued liability by June 30, 2035 | 2,018 |
| Interest to end of year | 214 |
| <i>Annual required contribution, end of year</i> | 2,891 |
| Interest on net pension obligation | 943 |
| Adjustment to annual required contribution | (937) |
| <i>Annual pension cost</i> | 2,897 |
| Benefits paid | (1,301) |
| Increase in net pension obligation | 1,596 |
| Net pension obligation, beginning of year | 11,793 |
| <i>Net pension obligation, end of year</i> | \$ 13,389 |

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(Note 9 Continued)

The net pension obligation of the old plan of \$13,389,455 is reported as a non-current liability in the Statement of Net Assets. Historically, an actuarial determination of the actuarially required contribution has not been made. The contribution to the old plan has equaled the benefit payments from the plan. As a result, the net pension obligation at transition was equal to zero as of July 1, 1995, in accordance with GASB Statement No. 27.

The old plan accumulates no assets to pay benefits. The unfunded actuarial accrued liability as of July 1, 2001, was \$25,259,000. This unfunded actuarial accrued liability is to be amortized, using the level dollar method, over a period of 40 years on a closed basis from July 1, 1995.

Actuarial Information - Significant actuarial assumptions used in the valuation included the following:

Interest Rate: 8%

Salary Increase: Position pay increases are assumed to be 3% per year in anticipation of legislated increases. Members serving at least four years are entitled to a salary increase of 2% of base for each year of service, which must not exceed 22% of base.

Retirement Age: This is assumed to be Normal retirement age.

Termination Prior to Retirement: None.

Permanent Incapacity: None.

Mortality Rates: The assumed mortality experience is projected by using the 1983 Group Annuity Mortality Table.

Presence and Age of Spouse: All of the members are married and the spouses are assumed to be three years younger/(older) if the member is male/(female).

Cost of Living (Post-retirement) Increases:

- 2% after 3 years of receiving benefits
- 3% after 6 years of receiving benefits
- 3.5% after 9 years of receiving benefits
- 4% after 12 years of receiving benefits
- 5% after 14 years of receiving benefits

Trend Information (old plan) - Three-year trend information follows (expressed in thousands):

| <u>Fiscal Year Ended</u> | <u>Annual Pension Cost</u> | <u>% of Annual Pension Cost Contributed</u> | <u>Net Pension Obligation</u> |
|--------------------------|----------------------------|---|-------------------------------|
| 6/30/2000 | \$ 2,616 | 48.80% | \$ 10,480 |
| 6/30/2001 | 2,614 | 49.78% | 11,793 |
| 6/30/2002 | 2,897 | 44.91% | 13,389 |

For the new plan, JRS issues separate financial statements, which are available from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

Required Supplementary Information - A schedule of funding progress and a schedule of employer contributions for the old plan are presented in the accompanying Required Supplementary Information (RSI).

(Note 9 Continued)

D. Post-Retirement Insurance Benefits

Employees of the State, who meet the eligibility requirements for retirement as outlined in sections A through C of this note and at the time of retirement are covered or had dependents covered by any group insurance or medical and hospital service, has the option upon retirement to continue group insurance. NRS 287.023 establishes this benefit upon the retiree assuming the portion of the premium not covered by the State. The Public Employees' Benefits Program administers these insur-

ance benefits. For the year ended June 30, 2002, there were 5,275 retirees covered at a cost of \$12,587,718 which represents 62% of total costs. The State allocates funds for payment of insurance benefits as a percentage of payroll. The cost of the employer contribution is recognized in the year the costs are charged. Any unused funds are carried forward to the next fiscal year. The carry forward to fiscal year 2003 was \$18,388.

Note 10 - Risk Management

The State of Nevada established the Self-Insurance and Insurance Premiums funds in 1983 and 1979, respectively. Both funds are classified as internal service funds.

Interfund premiums are reported as quasi-external transactions of the funds. All State funds participate in the insurance program. Changes in the claims liabilities during the past two fiscal years were as follows (expressed in thousands):

| | Self Insurance Fund | Insurance Premiums Fund |
|---------------------------------|------------------------------------|--|
| Balance, June 30, 2000 | \$ 12,066 | \$ 19,355 |
| Claims and changes in estimates | 95,648 | 10,787 |
| Claim payments | (87,701) | (3,416) |
| Balance, June 30, 2001 | 20,013 | 26,726 |
| Claims and changes in estimates | 128,430 | 20,656 |
| Claim payments | (123,561) | (9,046) |
| Balance June 30, 2002 | \$ 24,882 | \$ 38,336 |

These liabilities are recorded in accordance with GASB Statement No. 10. This statement requires that a liability for claims be reported if information received before the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include incremental claims adjustment costs. A reserve for losses has been established in both funds to account for these liabilities and is included in the liability section of the Statement of Net Assets.

There were no significant reductions in insurance coverage from the prior year for workers' compensation, general liability, automobile liability, or property and casualty.

There are several pending lawsuits or unresolved disputes involving the State or its representatives at June 30, 2002. The estimated liability for these claims has been factored into the calculation of the reserve for losses and loss adjustment expenses developed. There were no material settlements in excess of insurance coverage for each of the past three fiscal years.

A. Self-Insurance Fund

The Self-Insurance Fund administers the group health, life and disability insurance for covered employees, both active and retired, of the State and certain other participating public employers within the State. All public employers in the State are eligible to participate in the activities of the Self-Insurance Fund and currently, in addition to the State, there are forty-seven public employers participating. The fund is overseen by the Public Employees' Benefit Program. The Board is composed of nine members: eight members appointed by the Governor, and the Director of the Department of Administration or his designee.

The Self-Insurance Fund contracts with a third-party administrator to pay the Self-Insurance Fund's claims and also contracts with medical providers to determine the price of services to be provided. The Self-Insurance Fund is self-insured for medical, dental and vision benefits and assumes all risk for claims incurred by plan participants. Fully insured HMO products are also offered. Accidental death and dismemberment, travel accident, long-term disability, mental health and substance abuse, and life insurance benefits are fully insured by outside carriers. The Self-Insurance Fund does not retain any risk of loss regarding those plans covered by independent insurance providers.

For the self-insured benefits, fund rate-setting policies have been established after consultation with the Self-Insurance Fund's actuary. Premiums are based upon

(Note 10 Continued)

anticipated claims in the upcoming year and any remaining fund equity available for claims. The participating employers pay monthly premiums for each employee and employees pay for dependent coverage. The participating public employers, with the exception of the State, are not subject to supplemental assessment in the event of deficiencies.

The management of the Self-Insurance Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Upon consultation with an actuary, claims liabilities are recomputed annually using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation, because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which claims are made.

B. Insurance Premiums Fund

The Insurance Premiums Fund provides self-insurance for general, civil (tort), auto and property casualty liabilities of State agencies, workers' compensation insurance for State employees and auto physical damage and property insurance for State agencies.

Under the retrospectively rated contracts with Employers Insurance Company of Nevada (EICON), each calendar year is a separate plan subject to its own premium determinations based on the actual loss experience for that year, with contractually negotiated basic and maximum premiums. Each plan year is subject to five premium determinations, at which point, based on loss experience, there is either an amount due to or from EICON. The first determination is eight months after the close of the plan year, and annually thereafter. Each plan year may be closed at any determination if the Insurance Premiums Fund and EICON mutually agree; the cost to close a plan year includes a charge for incurred but not reported claims. Plan years 1998, 1999 and 2000 are still open as of June 30, 2002 and are

subject to additional premiums based on the loss experience of the plan. Liabilities in the amount of \$6,425,713 as of June 30, 2002 have been accrued as an estimate for these potential additional premiums; however, the actual liability may be in excess of or less than the amount accrued, but under no circumstances will it exceed the contractually determined maximum premium. For the period beginning January 1, 2001 and ending December 31, 2001, the Fund purchased a high deductible policy with loss retention of \$750,000 per accident. Beginning January 1, 2002, the loss retention was increased to \$1,000,000 per accident. A liability in the amount of \$14,662,241 as of June 30, 2002 was determined using standard actuarial techniques as an estimate for the incurred but not reported losses to the plan.

The Fund is financed by the State. The State has a maximum exposure of \$50,000 for each general liability claim, with the exception of claims that are filed in other jurisdictions, namely, federal court. Those claims filed in federal court are not subject to the limit. Per State statute, if, as the result of future general liability or catastrophic losses, fund resources are exhausted, coverage is first provided by the reserve for statutory contingency account and would then revert to the General Fund.

The Fund is also self-insured for comprehensive and collision loss to automobiles, self-insured to \$100,000 for property loss with commercial insurance purchased to cover the excess above \$100,000, and commercially insured for losses to boilers and machinery and certain other risks. The fund also purchases excess liability insurance for claims in excess of \$1,000,000 with coverage up to a maximum of \$10,000,000 per incident.

At June 30, 2002, incurred but not reported claims liability for general, civil and auto insurance is based upon standard actuarial techniques, which take into account financial data, loss experience of other self-insurance programs and the insurance industry and from the development of known claims, estimates of the cost of reported claims, incurred but not reported claims, and allocated loss adjustment expenses. The incurred but not reported claims liability for property casualty insurance is based upon the estimated cost to replace damaged property. Incurred but not reported claims liabilities are included in the reserve for losses.

The Fund has sustained substantial operating losses in recent years. Further, at June 30, 2002 total liabilities

Notes to Financial Statements

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(Note 10 Continued)

exceed total assets by \$32,536,247. According to figures derived from actuarial estimates, the Fund is liable for approximately \$32,500,000 in potential claims settlements, which have yet to be funded through premium contributions. As Nevada Revised Statute 331.187 provides that if money in the Fund is insufficient to pay

a tort claim, the claim is to be paid from the reserve for statutory contingency account, and, as management assesses premiums to cover current claims payments, management believes that this provides the opportunity for the Fund to satisfy these liabilities.

Note 11 - Fund Balances

Governmental fund balances, reserved for other at June 30, 2002, are explained as follows (expressed in thousands):

| | <u>General</u> | <u>State Highway</u> | <u>Other Governmental</u> | <u>Total</u> |
|--|------------------|--------------------------|-------------------------------|------------------|
| <i>Fund balances, reserved for other:</i> | | | | |
| Reserved for prepaid items | \$ 29,314 | \$ 247 | \$ 3,871 | \$ 33,432 |
| Reserved for noncurrent receivables - notes | 621 | - | 73 | 694 |
| Reserved for fiscal emergency | - | - | 7,729 | 7,729 |
| Reserved for specific future allocations | - | - | 18,160 | 18,160 |
| Total fund balances, reserved for other | \$ 29,935 | \$ 247 | \$ 29,833 | \$ 60,015 |

Fund balances, unreserved, reported in non-major governmental funds at June 30, 2002, are explained as follows (expressed in thousands):

| | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Permanent Funds</u> | <u>Total</u> |
|---|----------------------------|-----------------------------|----------------------------|-------------------|
| <i>Fund balances, unreserved, designated:</i> | | | | |
| Designated for approved capital projects | \$ 10 | \$ 51,352 | \$ - | \$ 51,362 |
| Designated for museum projects | 42 | - | - | 42 |
| Designated for principal preservation | 900 | - | - | 900 |
| <i>Undesignated</i> | 225,296 | - | 21 | 225,317 |
| Total fund balances, unreserved reported in nonmajor | \$ 226,248 | \$ 51,352 | \$ 21 | \$ 277,621 |

Note 12 - Principal Tax Revenues

The principal taxing authorities for the State of Nevada are the Nevada Tax Commission and the Nevada Gaming Commission.

The Nevada Tax Commission was created under NRS 360.010 and is the taxing and collecting authority for taxes. The following are the primary tax revenues:

Sales and Use Taxes are imposed at a minimum rate of 6.5%, with local county option up to an additional .75%, on all taxable sales and taxable items of use. The State receives tax revenue of 2% of total sales with the balance distributed to local governmental entities and school districts.

Motor Vehicle Fuel Tax is levied at 23 cents per gallon on gasoline and gasohol sales. 17.65 cents of the tax goes to the State Highway Fund, the remainder to the counties.

Insurance Premium Tax is imposed at 3.5% on insurance premiums written in Nevada. A "Home Office Credit" is given to insurance companies with home or regional offices in Nevada, but not to exceed 80% of the taxes due.

Other Sources of tax revenues include: Business Tax, Cigarette Tax, Controlled Substance Tax, Estate Tax, Jet Fuel, Liquor Tax, Lodging Tax, Motor Carrier Fees, Motor Vehicle Registration Fees, Net Proceeds of Minerals Tax, Petroleum Products Cleanup Fees, Property Tax, Special Drug Manufacturing Tax, Short-Term Lessor Fees and Tire Tax.

The Nevada Gaming Commission was created under NRS 463.022 and is charged with collecting state gaming taxes and fees. The following sources account for gaming tax revenues:

Percentage Fees are the largest of several State levies on gaming. They are based upon gross revenue and are collected monthly. The fee is applied on a graduated basis at the following monthly rates:

Three percent of the first \$50,000 of gross revenue; four percent of the next \$84,000 of gross revenue; and six and one quarter percent of the gross revenue in excess of \$134,000.

Casino Entertainment Taxes are imposed at 10% of all amounts paid for admission, food, merchandise or refreshment, while the establishment is providing entertainment.

Flat Fee Collections are levied on the number of gambling games and slot machines operated. Licensees remit from \$20 to \$106 per quarter per machine and pay a fee at variable rates on the number of games operated.

Other Sources of gaming tax revenues include: Annual State Slot Machine Taxes, Annual License Fees and Miscellaneous Collections, which consists of penalties and fines, manufacturer's, distributor's and slot route operator's fees, advance payments, race wire fees, pari-mutuel wagering tax and other nominal miscellaneous items.

Note 13 - Works of Art and Historical Treasures

The State possesses certain works of art, historical treasures and similar assets that are not included with the capital assets shown in Note 7. These collections are not capitalized by the State because they are:

- Held for public exhibition, education or research in furtherance of public service, rather than financial gain,
- Protected, kept unencumbered, cared for and preserved, and
- Subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

As required by GASB Statement No. 34, a description of each noncapitalized collection held by the State follows.

Lost City Museum – The mission of the Lost City Museum is to study, preserve, and protect prehistoric Pueblo sites found in the Moapa Valley and adjacent areas and to interpret these sites through exhibits and public programs based at the museum facility. The collection consists of 80 historic and prehistoric Native American Baskets; about 40 historic Native American ceramic vessels and about 250 prehistoric ceramic vessels; and various prehistoric bone and shell archaeological objects. The collection also includes historic Euro-

(Note 13 Continued)

American and Native American leather objects; historic Euro-American and historic and prehistoric Native American textiles; glass and wood historic Euro-American objects; and stone prehistoric archaeological objects, some turquoise and lithic materials, and lapidary, mineral and fossil objects.

East Ely Railroad Depot Museum – The mission of the East Ely Railroad Depot Museum is to interpret and preserve eastern Nevada’s industrial heritage. It is located on Nevada’s most significant historical industrial complex, the former site of the Nevada Northern Railroad, and its collections include extensive archival documents, including photographs on the railroad, mining and smelting history of eastern Nevada. Three-dimensional artifacts include about 1,000 objects including wooden patterns for locomotive parts and the historical furnishings of the depot building. The majority of the collections are two-dimensional artifacts, with photographs totaling 400 and documents totaling 9,600 cubic feet highlighted by payroll records from 1906 through 1983 covering the entire history of the railroad. There are also administrative, legal and operation records covering the same period. The map and drawing collection relating to railroads numbers 500 and is one of the finest in the western United States.

Nevada Historical Society – The mission of the Nevada Historical Society is to collect, preserve, interpret and research for educational and aesthetic purposes, the materials which represent the history of the State of Nevada. The Nevada Historical Society holds a large number of valuable collections relating to the history of Nevada, the Great Basin and the West. The bulk of the collections are used primarily for research. Most of the museum collections are also available for exhibition, and a limited number of artifacts are used in educational programs. The collections are divided into four sections: library, manuscripts, photography and museum. The library collections consist of purchased books (20,000 titles), journals and periodicals, state and federal documents, most of the state’s newspapers in hardcopy and on microfilm, and ephemera. There are 3,500 collections in the manuscripts section, and some 500,000 images in the photography section. The museum section has about 8,000 objects.

Nevada State Museum and Historical Society – The mission of the Nevada State Museum and Historical Society, Las Vegas, is to advance the understanding of the prehistory, history, anthropology and natural history of Nevada emphasizing southern Nevada and its relationship with the surrounding area by collecting, interpreting, exhibiting and preserving Nevada’s heritage for present and future generations. The historical collections number over 12,000 and many reflect the major themes of the state—transportation, mining and tourism—as well as the artifacts of everyday life such as clothing, historical correspondence and business records. The archival photograph collection numbers around 40,000 images. The natural history collections include an emphasis on Lepidoptera (butterflies and moths) and number well over 100,000.

Nevada State Museum and Nevada State Railroad Museum – The mission of the Nevada State Museum is to engage diverse audiences in understanding and appreciating Nevada’s natural and cultural heritage. The museum achieves this through collecting, documenting and studying objects and information significant to heritage. The museum preserves this heritage for long-term public benefits, and presents heritage to broad audiences through exhibits, educational programs, publications and research services. The museum optimizes its educational mission by cultivating effective partnerships and attaining high standards of public service. Collections are significant to the natural and cultural history of Nevada and the Great Basin region. The museum collects, preserves and documents three general types of collections: anthropology, history and natural history. The anthropology collection includes 6,220 cubic feet of important western U.S. ethnographic and archaeological collections. Artifacts date as early as 9,400 years in age and include little-known technologies unique to the western Great Basin. Ethnographic collections feature 16 baskets woven by the internationally known Washoe weaver Louisa Key (a.k.a. Dat So La Lee). The collection also contains over 1,000 complete baskets and beadwork by other Washoe, Northern Paiute and Western Shoshone artisans. Archaeological materials include extensive collections of prehistoric artifacts from Nevada with materials recovered from dry caves of particular importance. The museum also serves as a repository for archaeological collections excavated in Nevada by

(Note 13 Continued)

public and private organizations and holds 1,700 cubic feet. History collections number 110,000 objects and encompass a wide variety of objects related to the material culture of Nevada and Great Basin such as clothing and textiles, historic photographs and documents, mining technology, gaming artifacts, vehicles, ranching and western memorabilia, ceramics, furniture and decorative arts. The Nevada State Railroad Museum's collections are currently managed by the Nevada State Museum and include 4,000 historical artifacts.

Natural history collections number 94,600 specimens and include representative samples of flora and fauna from throughout Nevada. The butterfly, amphibian, reptile and bird collections are the most complete and easily accessed of such collections in the northern part of the state. The plant and mammal collections are the most complete and easily accessed of such collections statewide. Rocks and minerals document the state's geology and mining heritage.

Note 14 - Commitments and Contingencies

Primary Government

A. In 1977 and 1989 the State issued \$13,730,000 and \$14,755,000, respectively, in General Obligation Sewer Improvement Bonds for and on behalf of Clark County. To date, the bonds have been completely serviced by Clark County; however, the State remains contingently liable on the bonds through maturity on July 1, 2004. The amount of bonds outstanding at June 30, 2002, is \$6,270,000.

B. The State Attorney General's Office reported that the State or its officers and employees were parties to numerous lawsuits, in addition to those described below. In view of the financial condition of the State, the State Attorney General is of the opinion that the State's financial condition will not be materially affected by this litigation, based on information known at this time.

Several of the actions pending against the State are based upon the State's (or its agents') alleged negligence in which the State must be named as a party defendant. However, there is a statutory limit to the State's liability of \$50,000 per claim. Such limitation does not apply to federal actions such as civil rights actions under 42 U.S.C. Section 1983 brought under federal law or to actions in other states. Tort claims are handled in accordance with NRS 41.

The State is a party to several lawsuits that have been filed under the federal civil rights statutes. In the district of Nevada, none of the United States district judges have ruled that the State is directly liable for damages awarded under federal civil rights statutes. However, the

State is statutorily required to indemnify its officers and employees held liable in damages for acts or omissions on the part of its officers and employees occurring in the course of their public employment. Several claims may thus be filed against the State based on alleged civil rights violations by its officers and employees. Since the statutory limit of liability (discussed above) does not apply in federal civil rights cases, the potential liability of the State is not ascertainable at the present time. Currently, the State is involved in several actions alleging federal civil rights violations that could result in substantial liability to the State.

C. The Public Employees' Retirement System (PERS) has entered into investment funding commitments as of June 30, 2002. For alternative investments, PERS has committed to fund \$361,723,088 at some future date.

PERS is a defendant in litigation involving individual benefit payments and participant eligibility issues arising from its normal activities. Based upon consultation with legal counsel, management believes there will be no material adverse effect on the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets as a result of the ultimate outcome of these matters.

D. The State is obligated by leases for buildings and equipment accounted for as operating leases. Operating leases do not give rise to property rights as capital leases do. Therefore, the results of the lease agreements are not reflected in the Statement of Net Assets. Primary Government lease expense for the year ended

(Note 14 Continued)

June 30, 2002 amounted to \$23,815,435. The following is the primary government's schedule of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2002 (expressed in thousands):

| For the Year Ended June 30 | Amount |
|-------------------------------|------------------|
| 2003 | \$ 19,931 |
| 2004 | 17,989 |
| 2005 | 14,854 |
| 2006 | 9,611 |
| 2007 | 4,282 |
| 2008-2012 | 7,157 |
| Total | \$ 73,824 |

E. The State receives significant financial assistance from the federal government in the form of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by federal agencies. Any disallowance as a result of these audits could become a liability of the State. As of June 30, 2002, the State is unable to estimate the amount, if any, of expenditures that may be disallowed, although the State expects such amounts, if any, to be immaterial.

F. The Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the State. Under this requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments (other than certain specified exceptions) over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds, and (b) any income earned on the excess described in (a), is required to be rebated to the U.S. Treasury, in order for the interest on the bonds to be excluded from gross income for federal income tax purposes. Rebateable arbitrage is computed as of each installment computation date. The present value of the rebateable arbitrage has been recorded as a liability in the Statement of Net Assets at June 30, 2002. Future calculations might result in different rebateable arbitrage amounts.

Discretely Presented Component Unit

G. The management of the Colorado River Commission (CRC), a discretely presented component unit, estimates that construction in progress will require an additional outlay of approximately \$5,000,000 to bring the related projects to completion.

The CRC has entered into forward contracts to purchase electrical power at a specified time at a guaranteed price. The CRC enters into these contracts to help plan power costs for the year and to protect itself against an increase in market prices. It is possible that the market price before or at the specified time to purchase electrical power may be lower than the price at which the CRC is committed to buy. This would reduce the value of the contract. The CRC could sell the forward contract at a loss, or if it were to continue to hold the contract, the CRC may make a termination payment to the counterparty to cancel its obligation under the contract and then buy electrical power on the open market. The CRC is also exposed to the failure of the counterparty to fulfill the contract. The terms of the contract include provisions for recovering the cost in excess of the guaranteed price from the counterparty should the CRC have to procure electrical power on the open market. One of the counterparties has filed for bankruptcy under Chapter 11. The effects of the bankruptcy on the counterparty's ability to fulfill its contracts cannot be determined.

All of the CRC's power customers are contractually obligated for electrical power purchased or sold on their behalf by the CRC. The customers may either pay or receive contract payments directly, or reimburse or be reimbursed by the CRC. These contracts are generally "take or pay" contracts, meaning that the customer is required to make or receive payment regardless of whether or not the power is actually delivered. One of the CRC's power customers has also filed Chapter 11 and, based upon the plan of reorganization and the customer's explicit and publicly declared intention, it appears likely that the customer will contest its forward contracts with the CRC. Although the failure on the part of the customer to honor its contracts could result in a loss to the CRC of approximately \$100,000,000, it is not currently possible to determine the outcome of this contingency.

Note 15 - Subsequent Events**Primary Government**

Bonds - The following General Obligation Bonds were sold after June 30, 2002:

\$82,415,000 Series July 1, 2002, A, B, C and D General Obligation (Limited Tax) Bonds: Series 2002A are \$60,915,000 Capital Improvement, Cultural Affairs and Refunding Bonds, due in annual installments ranging from \$1,835,000 to \$4,580,000 through April 1, 2021, plus semi-annual interest payments, at rates from 3.25% to 5.00%. Interest payments on the bonds are payable April 1 and October 1 and payments commence October 1, 2002. Series 2002B are \$8,500,000 TMCC Bonds, due in annual installments ranging from \$230,000 to \$655,000 through April 1, 2021, plus semi-annual interest payments, at rates from 4.00% to 5.25%. Interest payments on the bonds are payable April 1 and October 1 and payments commence October 1, 2002. Series 2002C are \$8,000,000 Natural Resources Bonds, due in annual installments ranging from \$285,000 to \$615,000 through April 1, 2022, plus semi-annual interest payments, at rates from 3.00% to 5.00%. Interest payments on the bonds are payable April 1 and October 1 and payments commence October 1, 2002. Series 2002D are \$5,000,000 Nevada Municipal Bond Bank Project Nos. 75 and 76 Bonds, due in annual installments ranging from \$175,000 to \$390,000 through July 1, 2022, plus semi-annual interest payments, at rates from 4.00% to 5.25%. Interest payments on the bonds are payable January 1 and July 1 and payments commence January 1, 2003. Series 2002A Bonds, Series 2002B Bonds and Series 2002C Bonds maturing on and after April 1, 2013 will be subject to redemption on or after October 1, 2012 at the option of the State. Series 2002D Bonds maturing on and after July 1, 2013 will be subject to redemption on or after July 1, 2012 at the option of the State. The Series 2002A Bonds and Series 2002B Bonds are subject to the Constitutional Debt Limit.

Housing Division – The Housing Division has issued the following bonds since June 30, 2002:

\$14,770,000 St. Rose Seniors Apartments Variable-Rate Demand Multi-Unit Housing Revenue Bonds, 2002 Series A due October 15, 2035.

\$21,000,000 The Bluffs at Reno Apartments Variable-Rate Demand Multi-Unit Housing Revenue Bonds, 2002 Series A and B due October 15, 2035.

\$10,320,000 Sunset Canyon Apartments Multi-Unit Housing Revenue Bonds, 2002 Series A-1 and A-2. Series A-1 has two Term Bonds due October 1, 2035 and April 1, 2036 of \$4,190,000 and \$4,195,000 respectively. Series A-2 has one Term Bond due April 1, 2017 of \$1,935,000.

\$8,800,000 Los Pecos Senior Apartments Multi-Unit Housing Revenue Bonds, 2002 Series A. The bonds consist of serial and four Term Bonds. The serial bonds of \$940,000 are due in semi-annual payments ranging from \$40,000 to \$80,000 with a final maturity date of October 1, 2012. The first Term Bond of \$450,000 is due October 1, 2021, the second of \$1,695,000 is due October 1, 2022, the third of \$2,855,000 is due October 1, 2035 and the fourth of \$2,860,000 is due April 1, 2036.

\$8,290,000 Whittell Pointe Apartments Multi-Unit Housing Revenue Bonds, 2002 Series A and B. Series A has two Term Bonds due April 1, 2035 and 2036 of \$3,520,000 and \$3,525,000 respectively. Series B has one Term Bond due April 1, 2016 of \$1,245,000.

\$8,920,000 Wood Creek Apartments Multi-Unit Housing Revenue Bonds, 2002 Series A and B. Series A has one Term Bond due October 1, 2034 of \$7,580,000. Series B has two Term Bonds due April 1, 2007 and October 1, 2014 of \$245,000 and \$1,095,000 respectively.

(Note 15 Continued)

Interest Rate Swap Agreement – The State of Nevada had executed two interest rate swaps with Lehman Brothers, which were terminated subsequent to June 30, 2002. Each interest rate swap was associated with a \$100 million notional amount and was executed pursuant to the provisions of the International Swap Derivatives Association Master Agreement. On September 19, 2002, the swap agreements were terminated in a simultaneous agreement with Lehman Brothers that resulted in a \$2.24 million net payment to the State.

Legislative Counsel Bureau - Subsequent to year end, the Governor called a Special Legislative Session to deal with the issue of medical malpractice insurance. The special session, held in August 2002, lasted three days. The Legislature appropriated \$160,000 to pay the session costs. The costs to date are \$233,633 and the additional unfunded amount will be paid from savings from the last regular legislative session.

Discretely Presented Component Unit

Bonds - The following General Obligation Bonds were sold after June 30, 2002:

\$36,420,000 Series 2002 Colorado River Commission General Obligation (Limited Tax) (Revenue Supported) Hoover Upgrading Refunding Bonds: Series 2002 Bonds will mature on October 1, 2016, due in annual installments ranging from \$3,240,000 to \$4,970,000. Interest is payable at 5.375% per annum in semi-annual payments on April 1 and October 1 commencing October 1, 2002. Series 2002 Bonds maturing on and after October 1, 2013 will be subject to redemption on and after October 1, 2012 at the option of the State. The Bonds were issued to refund the remaining obligations of the 1992 Hoover Upgrading Refunding Bonds.

Note 16- Accounting Changes and Restatements**A. Prior Period Adjustments**

The July 1, 2001 fund balance in the State Highway Fund, a special revenue fund, has been adjusted because a transfer to the General Fund for fiscal year 2001 computer capital expenditures was not recorded in fiscal year 2001. The prior period adjustment increases General Fund fund balance by \$13,575,895 and decreases the State Highway Fund fund balance by the same amount. The adjustment is included in the following schedule of changes to fund balances and net assets for the fiscal year 2001. The other prior period adjustments listed on the schedule were required by implementation of the accounting changes discussed below.

B. Accounting Changes

During fiscal year 2002, the State implemented new accounting standards issued by the Governmental Accounting Standards Board (GASB). The new standards are:

Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments,

Statement No. 35, Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities,

Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus, and

Statement No. 38, Certain Financial Statement Note Disclosures.

These new accounting standards changed the financial reporting model used by governments and universities. Governments are now required to present government-wide financial statements prepared using the accrual basis of accounting and the economic resources measurement focus. In addition, new definitions for fund types resulted in fund reclassifications and adjustments to fund equities as reported in the prior financial statements. The changes required by these statements are presented in the following table (expressed in thousands):

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2002

State
of
Nevada

(Note 16 Continued)

| | June 30, 2001 As Previously Reported | Fund Reclassifications | Prior Period Adjustments | June 30, 2001 As Restated |
|--|--|---------------------------|--------------------------------|------------------------------|
| Governmental Funds and Activities | | | | |
| Major Fund: | | | | |
| General Fund | \$ 223,239 | \$ - | \$ 13,576 | \$ 236,815 |
| Major Special Revenue Funds: | | | | |
| State Highway | 203,876 | - | (13,576) | 190,300 |
| Municipal Bond Bank | 1,282,007 | (178,378) | - | 1,103,629 |
| Stabilize the Operations of State Government | 136,341 | - | - | 136,341 |
| Other Special Revenue Funds: | | | | |
| School Improvement | 34,488 | - | - | 34,488 |
| Employment Security | 14,904 | - | - | 14,904 |
| Regulatory | 7,985 | (911) | - | 7,074 |
| Legislative | 8,085 | - | - | 8,085 |
| Workers' Compensation and Safety | 25,843 | (25,843) | - | - |
| Higher Education Capital Construction | 11,681 | - | - | 11,681 |
| Cleaning Up Petroleum Discharges | 4,175 | - | - | 4,175 |
| Hospital Care to Indigent Persons | 11,015 | - | - | 11,015 |
| Tourism Promotion | 6,183 | - | - | 6,183 |
| Offenders' Store | 1,832 | 622 | - | 2,454 |
| Tobacco Settlement | 71,652 | - | - | 71,652 |
| Contingency | 43,077 | - | - | 43,077 |
| Care of Sites for Radioactive Waste Disposal | 10,992 | - | - | 10,992 |
| Natural Resources | - | 17,379 | - | 17,379 |
| Gift | - | 2,902 | - | 2,902 |
| Miscellaneous Funds | 11,530 | (1,581) | - | 9,949 |
| Total Other Special Revenue Funds | 263,442 | (7,432) | - | 256,010 |
| Total Special Revenue Funds | 1,885,666 | (185,810) | (13,576) | 1,686,280 |
| Major Debt Service Fund: | | | | |
| Consolidated Bond Interest and Redemption | 37,497 | - | 760 | 38,257 |
| Other Debt Service Fund: | | | | |
| Highway Revenue Bonds | 5,122 | - | - | 5,122 |
| Total Debt Service Funds | 42,619 | - | 760 | 43,379 |
| Other Capital Projects Funds: | | | | |
| Parks Capital Project Construction | 808 | - | - | 808 |
| CIP Motor Vehicle | 13,294 | - | - | 13,294 |
| CIP Human Resources | 4,254 | - | - | 4,254 |
| CIP General State Gov't | 15,786 | - | - | 15,786 |
| CIP Prison System | 6,265 | - | - | 6,265 |
| CIP Military | 1,068 | - | - | 1,068 |
| CIP Wildlife | 1,708 | - | - | 1,708 |
| CIP Assist School Districts | 13,420 | - | - | 13,420 |
| Total Capital Projects Funds | 56,603 | - | - | 56,603 |
| Other Permanent Funds: | | | | |
| Permanent School | - | 85,767 | (3) | 85,764 |
| Henry Wood Christmas | - | 51 | - | 51 |
| Total Permanent Funds | - | 85,818 | (3) | 85,815 |
| Total Governmental Funds | \$ 2,208,127 | \$ (99,992) | \$ 757 | \$ 2,108,892 |
| Adoption of GASB Statement No. 34 | | | | |
| Revenue recognition | \$ - | \$ - | \$ 28,657 | \$ 28,657 |
| Capital assets, net of depreciation | - | 1,389,881 | 2,448,175 | 3,838,056 |
| Long-term bonds and notes payable | - | - | (2,252,931) | (2,252,931) |
| Other liabilities and long-term obligations | - | - | (104,514) | (104,514) |
| Internal service fund conversion | - | 6,384 | 67 | 6,451 |
| Expense recognition | - | - | (13,412) | (13,412) |
| Adoption of GASB Statement No. 34 | - | 1,396,265 | 106,042 | 1,502,307 |
| Total Governmental Activities | \$ 2,208,127 | \$ 1,296,273 | \$ 106,799 | \$ 3,611,199 |

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2002

State
of
Nevada

(Note 16 Continued)

| | June 30, 2001 As Previously Reported | Fund Reclassifications | Prior Period Adjustments | June 30, 2001 As Restated |
|---|--|---------------------------|--------------------------------|------------------------------|
| Proprietary Funds and Business-Type Activities | | | | |
| Major Funds: | | | | |
| Housing Division | \$ 135,796 | \$ - | \$ - | \$ 135,796 |
| Unemployment Compensation | - | 569,420 | 6,345 | 575,765 |
| Other Funds: | | | | |
| Workers' Compensation and Safety | - | 25,843 | (359) | 25,484 |
| Insurance Examination | - | 659 | - | 659 |
| Gaming Investigative | - | 252 | - | 252 |
| Forestry Nurseries | 473 | - | - | 473 |
| Prison Industry | 4,921 | - | - | 4,921 |
| Nevada Magazine | (576) | - | - | (576) |
| WICHE Student Loans | - | 3,036 | 571 | 3,607 |
| Marlette Lake Water System | 1,006 | - | - | 1,006 |
| Water Project Loans | - | 160,999 | (57,069) | 103,930 |
| Internal Service Funds | 6,384 | - | - | 6,384 |
| Total Proprietary Funds | <u>\$ 148,004</u> | <u>\$ 760,209</u> | <u>\$ (50,512)</u> | <u>\$ 857,701</u> |
| Adoption of GASB Statement No. 34 | | | | |
| Internal service fund conversion | - | (6,384) | (67) | (6,451) |
| Total Business-Type Activities | <u>\$ 148,004</u> | <u>\$ 753,825</u> | <u>\$ (50,579)</u> | <u>\$ 851,250</u> |
| Fiduciary Funds | | | | |
| Private Purpose Funds: | | | | |
| Higher Education Tuition Trust | \$ - | \$ 24,199 | \$ - | \$ 24,199 |
| Prisoners' Personal Property | - | 179 | 2,724 | 2,903 |
| Total Private Purpose Funds | - | 24,378 | 2,724 | 27,102 |
| Funds previously reported as Expendable Trust Funds: | | | | |
| Unemployment Compensation | 569,420 | (569,420) | - | - |
| Higher Education Tuition Trust | 24,199 | (24,199) | - | - |
| Museums and History | 1,455 | (1,455) | - | - |
| Gift Funds | 2,902 | (2,902) | - | - |
| Custodial Funds | 801 | (801) | - | - |
| Total Expendable Trust Funds | 598,777 | (598,777) | - | - |
| Funds previously reported as Nonexpendable Trust Funds: | | | | |
| Henry Wood Christmas | 51 | (51) | - | - |
| Permanent School | 85,767 | (85,767) | - | - |
| Total Nonexpendable Trust Funds | 85,818 | (85,818) | - | - |
| Investment Trust Funds | 535,748 | - | - | 535,748 |
| Pension Trust Funds | 13,377,340 | - | - | 13,377,340 |
| Total Fiduciary Funds | <u>\$ 14,597,683</u> | <u>\$ (660,217)</u> | <u>\$ 2,724</u> | <u>\$ 13,940,190</u> |
| Account Group | | | | |
| General Fixed Assets | \$ 1,389,881 | \$ (1,389,881) | \$ - | \$ - |
| Total Account Group | 1,389,881 | (1,389,881) | - | - |
| Total Primary Government | <u>\$ 18,343,695</u> | <u>\$ -</u> | <u>\$ 58,944</u> | <u>\$ 18,402,639</u> |

Budgetary Comparison Schedule General Fund and Major Special Revenue Funds

For the Fiscal Year Ended June 30, 2002 (Expressed in Thousands)

| | General Fund | | | | Highway Fund | | | |
|---------------------------------------|--------------------|------------------|-------------------|-------------------------------|--------------------|-------------------|-------------------|-------------------------------|
| | Original Budget | Final Budget | Actual | Variance with Final Budget | Original Budget | Final Budget | Actual | Variance with Final Budget |
| Sources of Financial Resources | | | | | | | | |
| Fund balances, July 1 | \$ 380,110 | \$ 380,110 | \$ 380,110 | \$ - | \$ 180,980 | \$ 180,980 | \$ 180,980 | \$ - |
| Prior period adjustment | - | - | 13,576 | 13,576 | - | - | 9,002 | 9,002 |
| Revenues: | | | | | | | | |
| Sales taxes | 681,382 | 681,382 | 655,068 | (26,314) | - | - | - | - |
| Gaming taxes, fees, licenses | 687,639 | 687,639 | 654,613 | (33,026) | - | 241 | 540 | 299 |
| Intergovernmental | 900,920 | 1,133,470 | 918,934 | (214,536) | 206,928 | 212,993 | 169,126 | (43,867) |
| Other taxes | 471,057 | 474,642 | 484,386 | 9,744 | 260,959 | 266,961 | 253,405 | (13,556) |
| Sales, charges for services | 120,177 | 130,551 | 110,448 | (20,103) | 14,323 | 15,071 | 10,945 | (4,126) |
| Licenses, fees and permits | 231,380 | 242,290 | 234,796 | (7,494) | 130,927 | 137,385 | 135,938 | (1,447) |
| Interest | 16,149 | 16,149 | 33,040 | 16,891 | 10,010 | 10,010 | 8,102 | (1,908) |
| Other | 282,797 | 319,304 | 321,031 | 1,727 | 16,263 | 17,397 | 21,675 | 4,278 |
| Other financing sources: | | | | | | | | |
| Proceeds from sale of bonds | - | - | - | - | 123,000 | 123,000 | - | (123,000) |
| Transfers from other funds | 94,632 | 145,847 | 113,953 | (31,894) | 4,570 | 7,679 | 5,219 | (2,460) |
| Reversions from other funds | - | - | 17,957 | 17,957 | - | - | 299 | 299 |
| Total sources | 3,866,243 | 4,211,384 | 3,937,912 | (273,472) | 947,960 | 971,717 | 795,231 | (176,486) |
| Uses of Financial Resources | | | | | | | | |
| Expenditures and encumbrances: | | | | | | | | |
| Constitutional agencies | 70,347 | 116,964 | 76,718 | 40,246 | - | - | - | - |
| Finance and administration | 43,504 | 88,261 | 60,818 | 27,443 | - | - | - | - |
| Education | 904,232 | 1,050,439 | 964,736 | 85,703 | - | - | - | - |
| Human services | 1,576,506 | 1,778,933 | 1,576,737 | 202,196 | - | - | - | - |
| Commerce and industry | 81,403 | 99,897 | 71,229 | 28,668 | - | - | - | - |
| Public safety | 258,251 | 291,194 | 248,337 | 42,857 | 130,484 | 151,210 | 128,432 | 22,778 |
| Infrastructure | 105,908 | 183,626 | 96,750 | 86,876 | 674,997 | 691,602 | 424,262 | 267,340 |
| Special purpose agencies | 5,466 | 5,974 | 5,827 | 147 | - | - | - | - |
| Transportation | - | - | - | - | - | - | - | - |
| Other financing uses: | | | | | | | | |
| Transfers to other funds | 494,346 | 557,146 | 553,407 | 3,739 | 23,580 | 19,299 | 19,299 | - |
| Reversions to other funds | - | - | 4,175 | (4,175) | - | - | - | - |
| Refunds | - | - | 4,419 | (4,419) | - | - | - | - |
| Projected reversions | (38,920) | (38,920) | - | (38,920) | - | - | - | - |
| Total uses | 3,501,043 | 4,133,514 | 3,663,153 | 470,361 | 829,061 | 862,111 | 571,993 | 290,118 |
| Fund balances, June 30 | \$ 365,200 | \$ 77,870 | \$ 274,759 | \$ 196,889 | \$ 118,899 | \$ 109,606 | \$ 223,238 | \$ 113,632 |

| Municipal Bond Bank | | | | Stabilize the Operations of State Government | | | |
|---------------------|---------------|---------------|----------------------------|--|-------------------|-------------------|----------------------------|
| Original Budget | Final Budget | Actual | Variance with Final Budget | Original Budget | Final Budget | Actual | Variance with Final Budget |
| \$ 4 | \$ 4 | \$ 4 | \$ - | \$ 136,341 | \$ 136,341 | \$ 136,341 | \$ - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 79,419 | 80,231 | 80,223 | (8) | - | - | - | - |
| 573 | 573 | 573 | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>79,996</u> | <u>80,808</u> | <u>80,800</u> | <u>(8)</u> | <u>136,341</u> | <u>136,341</u> | <u>136,341</u> | <u>-</u> |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 577 | 577 | 574 | 3 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 79,419 | 80,231 | 80,223 | 8 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>79,996</u> | <u>80,808</u> | <u>80,797</u> | <u>11</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3</u> | <u>\$ 3</u> | <u>\$ 136,341</u> | <u>\$ 136,341</u> | <u>\$ 136,341</u> | <u>\$ -</u> |

Notes to Required Supplementary Information Budgetary Reporting

State
of
Nevada

For the Fiscal Year Ended June 30, 2002

The accompanying Budgetary Comparison Schedule – General Fund and Major Special Revenue Funds presents both the original and the final legally adopted budgets, as well as actual data on a budgetary basis. (Note 2 of the basic financial statements identifies the budgeting process and control.)

The original budget is adopted through passage of the General Appropriations Act, which allows for expenditures from unrestricted revenues, while the Authorized Expenditures Act allows for expenditures from revenues collected for specific purposes (restricted revenues). For programs financed from restricted revenues, spending authorization is generally contingent upon recognition of the related revenue. Reductions of spending authority occur if revenues fall short of estimates. If revenues exceed the estimate, supplemental appropriations are required before the additional resources can be spent.

Generally Accepted Accounting Principles (GAAP) require that the final legal budget be reflected in the “final budget” column. Therefore, updated revenue estimates available for appropriations as of September 9 are reported instead of the amounts disclosed in the original budget. The September 9, 2002 date is used because this is the date for which the Legislative Interim Finance Committee affected the last changes to the fiscal year ended June 30, 2002 budget as permitted by NRS 353.220.

Since the budgetary and GAAP presentations of actual data differ, a reconciliation of ending fund balances is presented below (expressed in thousands):

| | <u>General Fund</u> | <u>State Highway</u> | <u>Municipal Bond Bank</u> | <u>Stabilize the Operations of State Government</u> |
|--|-------------------------|--------------------------|--------------------------------|---|
| Fund balances (budgetary basis) June 30, 2002 | \$ 274,759 | \$ 223,238 | \$ 3 | \$ 136,341 |
| Adjustments: | | | | |
| <i>Basis differences:</i> | | | | |
| Petty cash or outside bank accounts | 9,445 | 84 | - | - |
| Investments not recorded on the budgetary basis | 4,033 | - | 1,090,275 | - |
| Accrual of certain other receivables | 88,534 | 2,561 | - | - |
| Inventory | - | 8,774 | - | - |
| Advances to other funds | 10,159 | 20 | - | - |
| Deferred charges and other assets | 6,065 | 247 | - | - |
| Accrual of certain accounts payable and accruals | (164,825) | (17,568) | - | - |
| Accrual of longevity pay | (947) | (136) | - | - |
| Contract retentions payable | (315) | - | - | - |
| Deferred revenues | (183,835) | (20) | - | - |
| Encumbrances | 3,916 | 4,823 | - | - |
| Other | 3,759 | (118) | 152 | - |
| Fund balances (GAAP basis) June 30, 2002 | <u>\$ 50,748</u> | <u>\$ 221,905</u> | <u>\$ 1,090,430</u> | <u>\$ 136,341</u> |

Total fund balance on the budgetary basis in the General Fund at June 30, 2002, is composed of both restricted funds, which are not available for appropriation, and unrestricted funds as follows (expressed in thousands):

| | |
|--|------------------|
| Total fund balance (budgetary basis) | \$ 274,759 |
| Restricted funds | <u>(182,383)</u> |
| Unrestricted fund balance (budgetary basis) | <u>\$ 92,376</u> |

There were no expenditures in excess of appropriations or authorizations in the individual budget accounts for the year.

Schedule of Funding Progress Pension Plans

State
of
Nevada

For the Fiscal Year Ended June 30, 2002

Legislator's Retirement System (LRS)

Schedule of Funding Progress - Actuarial valuations of the LRS are prepared every two years to determine State contributions required to fund the system on an actuarial basis. A schedule of funding progress follows (expressed in thousands):

| Valuation Year | Actuarial Accrued Liability (AAL) | Actuarial Value of Assets | Unfunded Actuarial Accrued Liability (UAAL) | Ratio of Assets to AAL | Annual Covered Payroll | UAAL as a % of Annual Covered Payroll |
|----------------|-----------------------------------|---------------------------|---|------------------------|------------------------|---------------------------------------|
| 1997 | \$ 4,778 | \$ 2,957 | \$ 1,821 | 62% | \$ 491 | 371% |
| 1999 | 5,075 | 3,527 | 1,548 | 70% | 491 | 315% |
| 2001 | 5,399 | 3,812 | 1,587 | 71% | 476 | 333% |

Trends can be affected by investment experience (favorable or unfavorable), salary experience, retirement experience or changes in demographic characteristics of employees. Changes in benefits provisions and in actuarial methods and assumptions can also affect trends.

Actuarial valuation performed biennially; plans with biennial valuations need not present duplicate information for the intervening years.

Judicial Retirement System (JRS)

Schedule of Funding Progress (old plan) - Actuarial valuations of the JRS are prepared every two years to determine State contributions required to fund the system on an actuarial basis. A schedule of funding progress follows (expressed in thousands):

| Valuation Date | Actuarial Accrued Liability (AAL) | Actuarial Value of Assets | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as a % of Covered Payroll |
|----------------|-----------------------------------|---------------------------|---|--------------|-----------------|--------------------------------|
| 7/1/1997 | \$ 24,864 | \$ - | \$ 24,864 | 0% | \$ 5,239 | 475% |
| 7/1/1999 | 23,462 | - | 23,462 | 0% | 3,243 | 723% |
| 7/1/2001 | 25,259 | - | 25,259 | 0% | 3,700 | 683% |

Schedule of Employer Contributions (old plan) - A schedule of employer contributions follows (expressed in thousands):

| Fiscal Year Ended | Annual Required Contribution (ARC) | State Contribution | State Contribution as a % ARC |
|-------------------|------------------------------------|--------------------|-------------------------------|
| 6/30/2000 | \$ 2,604 | \$ 1,277 | 49% |
| 6/30/2001 | 2,604 | 1,301 | 50% |
| 6/30/2002 | 2,891 | 1,301 | 45% |

Trends can be affected by investment experience (favorable or unfavorable), salary experience, retirement experience or changes in demographic characteristics of employees. Changes in benefits provisions and in actuarial methods and assumptions can also affect trends.

Actuarial valuation performed biennially; plans with biennial valuations need not present duplicate information for the intervening years.

The State has adopted the modified approach for reporting infrastructure assets. Under this approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 5,300 centerline miles of roads and approximately 1,000 bridges.

The State manages its roadway system by dividing the roadway system into five categories based on the traffic load. The categories range from category I, representing the busiest roadways and interstates to category V, representing the least busy rural routes with an average daily traffic of less than 200 vehicles. In odd numbered calendar years the State completes a condition assessment of its roadways. To monitor the condition of the roadways the State uses the International Roughness Index (IRI). IRI measures the cumulative deviation from a smooth surface. The lower the IRI value, the better the condition of the roadway. The State has set a policy that it will maintain a certain percentage of each category of its roadways with an IRI of less than 80. The State has set a policy that it will maintain its bridges so that not more than 10 percent are structurally deficient or functionally obsolete. The following tables show that the State's policy regarding the condition level of the roadways and bridges has been met.

Condition Level of the Roadways
Percentage of roadways with an IRI of less than 80

| | <u>Category</u> | | | | |
|---|-----------------|-----------|------------|-----------|----------|
| | <u>I</u> | <u>II</u> | <u>III</u> | <u>IV</u> | <u>V</u> |
| State Policy-minimum percentage | 70% | 65% | 60% | 40% | 10% |
| Actual results of 2001 condition assessment | 83% | 77% | 86% | 65% | 19% |

Condition Level of the Bridges
Percentage of substandard bridges

| | |
|---|-----|
| State Policy-maximum percentage | 10% |
| Actual results of 2001 condition assessment | 6% |

The following table shows the State's estimate of spending necessary to preserve and maintain the roadways and bridges at, or above, the established condition level and the actual amount spent during the past five fiscal years.

Maintenance and Preservation Costs
(expressed in thousands)

| | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> |
|-----------|-------------|-------------|-------------|-------------|-------------|
| Estimated | \$255,575 | \$94,194 | \$97,038 | \$129,255 | \$203,986 |
| Actual | \$135,898 | \$75,080 | \$91,615 | \$125,506 | \$135,549 |

Maintenance and preservation costs are primarily funded with the fuel taxes, vehicle registration and license fees. The funding level for maintenance and preservation costs is affected by the amount of taxes and fees collected and the amount appropriated for construction of new roadways.



Nonmajor Governmental Funds



Nonmajor Special Revenue Funds

School Improvement Accounts for funding of school improvement programs. All such programs must be approved by the Legislature or Interim Finance Committee. (NRS 388.730).

Employment Security Accounts for the administration of employment training programs (NRS 612.607), unemployment compensation claims (NRS 612.605), and employment security laws (NRS 612.615).

Regulatory Accounts for receipts and expenditures related to enforcement of regulations on manufactured housing (NRS 489.491), enforcement of regulations pursuant to dairy products (NRS 584.460), legal judgments against real estate licensees (NRS 645.842), regulation of transportation services (NRS 706.1516), regulation of public utilities (NRS 703.147), and regulation of taxicabs (NRS 706.8825).

Legislative Accounts for the necessary expenditures of the Legislature and Legislative Counsel Bureau (NRS 218.085).

Higher Education Capital Construction Accounts for the first \$5,000,000 and 20% of the remaining annual slot machine tax, which is designated for capital construction and payment of principal and interest of construction bonds for higher education (NRS 463.385).

Cleaning Up Petroleum Discharges Accounts for fees collected and claims paid related to the use, storage or discharge of petroleum (NRS 590.830).

Hospital Care to Indigent Persons Accounts for taxes levied to provide care to indigent persons hospitalized from motor vehicle accidents, and for taxes received and payments to counties for supplemental medical assistance to indigent persons (NRS 428.175).

Tourism Promotion Accounts for room taxes and other

monies designated for the support of the Commission on Tourism (NRS 231.250).

Offenders' Store Accounts for operations of the general merchandise stores and snack bars used by offenders. Earnings, except interest, must be expended for the welfare and benefit of all offenders (NRS 209.221).

Tobacco Settlement Accounts for proceeds from settlement agreements with and civil actions against manufacturers of tobacco products, forty percent of which is allocated to the Millennium Scholarship fund for the purpose of increasing the number of State residents who enroll in and attend a university or community college of the University and Community College System of Nevada (NRS 396.926); fifty percent of which is allocated to the Healthy Nevada fund (NRS 439.620) and ten percent of which is allocated to the Public Health Trust fund, for the purpose of assisting Nevada residents in obtaining and maintaining good health (NRS 439.605).

Contingency Accounts for funds appropriated by the Legislature for contingencies. Funds can be allocated to State agencies and officers by the Interim Finance Committee upon recommendation of the Board of Examiners (NRS 353.266).

Care of Sites for Radioactive Waste Disposal Accounts for receipts for the care of sites for the disposal of radioactive waste (NRS 459.231).

Gift Accounts for gifts and grants received by the Commission for the Preservation of Wild Horses (NRS 504.450), the Department of Conservation and Natural Resources (NRS 232.070), the State Board of Education (NRS 385.095), the State Library and Archives (NRS 378.090) the Division of State Parks (NRS 407.075), the Rehabilitation Division of the Department of Employment, Training and Rehabilitation (NRS 232.960), and the Department of Human Resources (NRS 232.355).

Natural Resources Accounts for grants to publicly owned water systems for water conservation and capital improvements (NRS 349.984).

Miscellaneous Accounts for receipts and expenditures related to compensation of victims of crime (NRS 217.260); fees related to private investigators and recoveries for unfair trade practices (NRS 228.096); prosecution of racketeering (NRS 207.415); the office of advocate for customers of public utilities (NRS 228.310); administration of capital improvement projects (NRS 341.146); and substance abuse education, prevention, enforcement and treatment (NRS 458.400). It also accounts for appropriations and interest income for support of museums and history (NRS 381.0064); loans for farm projects (NRS 561.405); and fees collected from owners of mobile home parks to provide mobile home lot rent assistance to low-income mobile home owners (NRS 118B.215). Furthermore, it accounts for appropriations, donations and interest income to support the National Judicial College and the National College of Juvenile and Family Law (NRS 1.470 and 1.480); appropriations for disaster relief grants and loans to state agencies and local governments (NRS 353.2735); receipts and expenditures related to assisting counties with the institutional care of the medically indigent (NRS 428.470); and the residual activity of emergency distribution of SCCRT (Supplemental City-County Relief Tax) originally authorized by NRS 354.5988.

Nonmajor Debt Service Fund

Highway Revenue Bonds - Accumulates monies for the payment of principal and interest on highway revenue bonds of the State (NRS 349.300).

Nonmajor Capital Projects Funds

Parks Capital Project Construction Accounts for the parks improvements program for the Division of State Parks of the Department of Conservation and Natural Resources (NRS 407.065).

Capital Improvement Program - Motor Vehicle Accounts for capital improvement projects for the Department of Motor Vehicles and Public Safety (NRS 341.146).

Capital Improvement Program - Human Resources Accounts for capital improvement projects for the Department of Human Resources (NRS 341.146).

Capital Improvement Program - University System Accounts for capital improvement projects for the University and Community College System of Nevada (NRS 341.146).

Capital Improvement Program - General State Government Accounts for capital improvement projects for general government (NRS 341.146).

Capital Improvement Program - Prison System Accounts for capital improvement projects for the Department of Prisons (NRS 341.146).

Capital Improvement Program - Military Accounts for capital improvement projects for the Department of Military (NRS 341.146).

Capital Improvement Program - Wildlife Accounts for capital improvement projects for the Department of Wildlife (NRS 341.146).

Capital Improvement Program - Assistance to School Districts Accounts for assistance to school districts in financing capital improvement projects (NRS 387.333).

Nonmajor Permanent Funds

Permanent School Fund Accounts for certain property and the proceeds derived from such property, escheated estates, and all fines collected under penal laws of the State, which become permanent assets of the fund. Earnings on the assets are to be used for education (State Constitution, Article 11, Section 3).

Henry Wood Christmas Fund Accounts for the bequest of the late Henry Wood to provide Christmas gifts to orphans.

Combining Balance Sheet Nonmajor Governmental Funds

State
of
Nevada

June 30, 2002

| | Special Revenue Funds | Highway Revenue Bonds Debt Service | Capital Projects Funds | Permanent Funds | Total Nonmajor Governmental Funds |
|--|-----------------------------|--|------------------------------|-----------------------|---|
| Assets | | | | | |
| <i>Cash and pooled investments:</i> | | | | | |
| Cash with treasurer | \$ 265,996,496 | \$ 4,215,000 | \$ 128,320,006 | \$ 9,181,350 | \$ 407,712,852 |
| Cash in custody of other officials | 684,320 | - | - | - | 684,320 |
| Investments | 1,260,875 | - | - | 87,452,617 | 88,713,492 |
| Collateral on loaned securities | 106,181,461 | - | 3,533,749 | 4,776,729 | 114,491,939 |
| <i>Receivables:</i> | | | | | |
| Accounts receivable | 3,988,261 | - | - | - | 3,988,261 |
| Taxes receivable | 6,599,159 | - | - | - | 6,599,159 |
| Intergovernmental receivables | 3,521,060 | - | 873,758 | 300,517 | 4,695,335 |
| Accrued interest and dividends | 2,660 | - | - | 1,216,682 | 1,219,342 |
| Notes/loans receivable | 73,416 | - | - | 120 | 73,536 |
| Other receivables | 1,137 | - | 772 | - | 1,909 |
| Due from other funds | 16,225,310 | 1,086,226 | 21,906,721 | 128,420 | 39,346,677 |
| Due from fiduciary funds | 360,468 | - | - | - | 360,468 |
| Due from component unit | 50 | - | - | - | 50 |
| Inventory | 1,342,919 | - | - | - | 1,342,919 |
| Prepaid items | 3,871,226 | - | - | - | 3,871,226 |
| Total assets | \$ 410,108,818 | \$ 5,301,226 | \$ 154,635,006 | \$ 103,056,435 | \$ 673,101,485 |
| Liabilities and Fund Balances | | | | | |
| <i>Accounts payable and accruals:</i> | | | | | |
| Accounts payable | 5,673,293 | - | 249,008 | - | 5,922,301 |
| Accrued payroll and related liabilities | 2,793,015 | - | - | - | 2,793,015 |
| Intergovernmental payables | 2,170,086 | - | 16,223 | - | 2,186,309 |
| Contracts payable | 24,967 | - | 5,993,094 | - | 6,018,061 |
| Retention payable | - | - | 3,575,162 | - | 3,575,162 |
| Obligations under securities lending | 106,181,461 | - | 3,533,749 | 4,776,729 | 114,491,939 |
| Due to other funds | 29,806,056 | - | 4,692,215 | 2,944,577 | 37,442,848 |
| Due to fiduciary funds | 65,142 | - | - | - | 65,142 |
| Due to component unit | 771,542 | - | 71,319,521 | - | 72,091,063 |
| Advances from general fund | - | - | 590,796 | - | 590,796 |
| Deferred revenues | 4,646,866 | - | - | - | 4,646,866 |
| Other liabilities | - | - | - | 460,741 | 460,741 |
| Total liabilities | 152,132,428 | - | 89,969,768 | 8,182,047 | 250,284,243 |
| Fund balances: | | | | | |
| <i>Reserved for:</i> | | | | | |
| Encumbrances and contracts | 373,459 | - | 13,312,845 | - | 13,686,304 |
| Inventories | 1,342,919 | - | - | - | 1,342,919 |
| Funds held as permanent investments | 180,000 | - | - | 94,853,208 | 95,033,208 |
| Debt service | - | 5,301,226 | - | - | 5,301,226 |
| Other | 29,832,535 | - | - | - | 29,832,535 |
| <i>Unreserved:</i> | | | | | |
| <i>Designated:</i> | | | | | |
| Principal preservation | 900,000 | - | - | - | 900,000 |
| Approved capital projects | - | - | 51,352,393 | - | 51,352,393 |
| Other | 52,183 | - | - | - | 52,183 |
| Undesignated | 225,295,294 | - | - | 21,180 | 225,316,474 |
| Total fund balances | 257,976,390 | 5,301,226 | 64,665,238 | 94,874,388 | 422,817,242 |
| Total liabilities and fund balances | \$ 410,108,818 | \$ 5,301,226 | \$ 154,635,006 | \$ 103,056,435 | \$ 673,101,485 |

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds

State
of
Nevada

For the Fiscal Year Ended June 30, 2002

| | Special Revenue Funds | Highway Revenue Bonds Debt Service | Capital Projects | Permanent Funds | Total Nonmajor Governmental Funds |
|--|--------------------------|--|----------------------|----------------------|---|
| Revenues | | | | | |
| Gaming taxes, fees, licenses | \$ 15,857,307 | \$ - | \$ - | \$ - | \$ 15,857,307 |
| Intergovernmental | 45,109,481 | - | 5,015,183 | - | 50,124,664 |
| Other taxes | 69,641,296 | 13,050,650 | - | - | 82,691,946 |
| Licenses, fees and permits | 24,422,469 | - | - | - | 24,422,469 |
| Sales and charges for services | 12,375,700 | - | - | - | 12,375,700 |
| Interest and investment income | 10,731,706 | - | 547,042 | 7,343,041 | 18,621,789 |
| Tobacco settlement income | 44,628,083 | - | - | - | 44,628,083 |
| <i>Other:</i> | | | | | |
| Fines | - | - | - | 3,779,828 | 3,779,828 |
| Land sales | - | - | - | 4,975,686 | 4,975,686 |
| Other | 4,090,973 | - | 205,351 | 10,087 | 4,306,411 |
| Total revenues | 226,857,015 | 13,050,650 | 5,767,576 | 16,108,642 | 261,783,883 |
| Expenditures | | | | | |
| <i>Current:</i> | | | | | |
| General government | 33,616,735 | - | 126,463 | 183,655 | 33,926,853 |
| Health and social services | 70,936,987 | - | - | - | 70,936,987 |
| Education and support services | 556,017 | - | 8,823,137 | - | 9,379,154 |
| Law, justice and public safety | 14,086,263 | - | - | - | 14,086,263 |
| Regulation of business | 17,494,908 | - | - | - | 17,494,908 |
| Recreation, resource development | 17,282,087 | - | - | - | 17,282,087 |
| Intergovernmental | 18,485,475 | - | - | - | 18,485,475 |
| Capital outlay | - | - | 18,404,315 | - | 18,404,315 |
| <i>Debt service:</i> | | | | | |
| Principal | 142,272 | 8,065,000 | - | - | 8,207,272 |
| Interest, fiscal charges | 34,213 | 4,806,338 | - | - | 4,840,551 |
| Arbitrage payments | 30,500 | - | - | - | 30,500 |
| Total expenditures | 172,665,457 | 12,871,338 | 27,353,915 | 183,655 | 213,074,365 |
| Excess (deficiency) of revenues over expenditures | 54,191,558 | 179,312 | (21,586,339) | 15,924,987 | 48,709,518 |
| Other Financing Sources (Uses) | | | | | |
| Capital leases | 506,383 | - | - | - | 506,383 |
| Sale of general obligation bonds | 16,569,633 | - | 63,539,152 | - | 80,108,785 |
| Transfers in | 30,530,563 | - | 7,872,995 | - | 38,403,558 |
| Transfers out | (81,165,058) | - | (2,813,959) | (6,865,731) | (90,844,748) |
| Transfer to component unit | (18,666,832) | - | (38,950,411) | - | (57,617,243) |
| Total other financing sources (uses) | (52,225,311) | - | 29,647,777 | (6,865,731) | (29,443,265) |
| Net change in fund balances | 1,966,247 | 179,312 | 8,061,438 | 9,059,256 | 19,266,253 |
| Fund balances, July 1 (as restated) | 256,010,143 | 5,121,914 | 56,603,800 | 85,815,132 | 403,550,989 |
| Fund balances, June 30 | \$ 257,976,390 | \$ 5,301,226 | \$ 64,665,238 | \$ 94,874,388 | \$ 422,817,242 |

Combining Balance Sheet Nonmajor Special Revenue Funds

June 30, 2002

| | School Improvement | Employment Security | Regulatory | Legislative | Higher Education Capital Construction |
|--|-----------------------|------------------------|----------------------|---------------------|---|
| Assets | | | | | |
| <i>Cash and pooled investments:</i> | | | | | |
| Cash with treasurer | \$ 20,303,600 | \$ 14,119,919 | \$ 9,240,469 | \$ 6,220,223 | \$ 7,686,257 |
| Cash in custody of other officials | - | 125 | 1,825 | 605,057 | - |
| Investments | - | - | - | - | - |
| Collateral on loaned securities | 10,793,762 | 7,730,412 | 524,726 | - | - |
| <i>Receivables:</i> | | | | | |
| Accounts receivable | - | 384,964 | 430,215 | 92,915 | - |
| Taxes receivable | - | 2,401,056 | 94,222 | - | - |
| Intergovernmental receivables | - | 1,904,252 | 1,494 | - | - |
| Accrued interest and dividends | - | - | - | - | - |
| Notes/loans receivable | - | - | - | - | - |
| Other receivables | - | - | - | - | - |
| Due from other funds | 971,914 | 177,475 | 52,881 | 126,545 | 9,448,971 |
| Due from fiduciary funds | - | - | - | - | - |
| Due from component unit | - | - | - | 50 | - |
| Inventory | - | - | - | 746,719 | - |
| Prepaid items | - | 93,725 | 337 | 52,720 | - |
| Total assets | \$ 32,069,276 | \$ 26,811,928 | \$ 10,346,169 | \$ 7,844,229 | \$ 17,135,228 |
| Liabilities and Fund Balances | | | | | |
| <i>Accounts payable and accruals:</i> | | | | | |
| Accounts payable | - | 916,055 | 238,001 | 160,058 | 5,534 |
| Accrued payroll and related liabilities | - | 1,047,116 | 599,939 | 542,091 | - |
| Intergovernmental payables | - | 19,412 | 88,034 | 609 | - |
| Contracts/retentions payable | - | - | - | 7,741 | - |
| Obligations under securities lending | 10,793,762 | 7,730,412 | 524,726 | - | - |
| Due to other funds | - | 793,589 | 331,280 | 739,240 | 7,500,000 |
| Due to fiduciary funds | - | 5,005 | 748 | - | 200 |
| Due to component unit | - | 121,158 | 2,500 | - | - |
| Deferred revenues | - | 370,066 | 1,001,360 | - | - |
| Total liabilities | 10,793,762 | 11,002,813 | 2,786,588 | 1,449,739 | 7,505,734 |
| Fund balances: | | | | | |
| <i>Reserved for:</i> | | | | | |
| Encumbrances and contracts | - | 37,791 | 68,007 | 181,681 | - |
| Inventories | - | - | - | 746,719 | - |
| Funds held as permanent investments | - | - | - | - | - |
| Other | - | 93,725 | 337 | 1,807,634 | - |
| <i>Unreserved:</i> | | | | | |
| <i>Designated:</i> | | | | | |
| Principal preservation | - | - | - | - | - |
| Other | - | - | - | - | - |
| Undesignated | 21,275,514 | 15,677,599 | 7,491,237 | 3,658,456 | 9,629,494 |
| Total fund balances | 21,275,514 | 15,809,115 | 7,559,581 | 6,394,490 | 9,629,494 |
| Total liabilities and fund balances | \$ 32,069,276 | \$ 26,811,928 | \$ 10,346,169 | \$ 7,844,229 | \$ 17,135,228 |

| <u>Cleaning Up Petroleum Discharges</u> | <u>Hospital Care to Indigent Persons</u> | <u>Tourism Promotion</u> | <u>Offenders' Store</u> | <u>Tobacco Settlement</u> | <u>Contingency</u> |
|---|--|--------------------------|-------------------------|---------------------------|----------------------|
| \$ 9,226,911 | \$ 15,686,486 | \$ 4,170,178 | \$ 1,947,469 | \$ 83,656,112 | \$ 37,782,492 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 4,905,193 | 8,339,220 | - | 2,324,069 | 44,463,501 | - |
| - | - | 5,650 | 1,950,741 | 932,714 | - |
| - | 4,103,881 | - | - | - | - |
| - | 168,806 | 1,222,275 | 46,760 | 1,177 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 53,538 | 176,318 | 136,521 | 47,049 | 882,158 | 2,711,073 |
| - | - | - | 301,829 | 87 | - |
| - | - | - | - | - | - |
| - | - | - | 403,655 | - | - |
| - | - | - | 25,493 | 3,698,951 | - |
| <u>\$ 14,185,642</u> | <u>\$ 28,474,711</u> | <u>\$ 5,534,624</u> | <u>\$ 7,047,065</u> | <u>\$ 133,634,700</u> | <u>\$ 40,493,565</u> |
| | | | | | |
| \$ 421,815 | \$ - | \$ 735,931 | \$ 89,320 | \$ 1,660,301 | \$ 246,556 |
| - | - | 71,345 | 182,314 | 27,678 | - |
| - | - | 341,783 | - | 503,535 | - |
| - | - | - | - | - | 17,226 |
| 4,905,193 | 8,339,220 | - | 2,324,069 | 44,463,501 | - |
| 75,329 | - | 23,027 | 310,269 | 221,465 | 16,122,564 |
| - | - | 400 | 43,038 | 2,927 | - |
| - | - | - | - | 647,079 | - |
| - | - | 8,460 | 1,950,539 | 932,714 | - |
| <u>5,402,337</u> | <u>8,339,220</u> | <u>1,180,946</u> | <u>4,899,549</u> | <u>48,459,200</u> | <u>16,386,346</u> |
| | | | | | |
| - | - | 1,926 | 14,290 | 8,082 | - |
| - | - | - | 403,655 | - | - |
| - | - | - | - | - | - |
| - | - | - | 25,493 | 3,698,951 | 16,403,880 |
| - | - | - | - | - | - |
| - | - | - | - | - | 9,500 |
| <u>8,783,305</u> | <u>20,135,491</u> | <u>4,351,752</u> | <u>1,704,078</u> | <u>81,468,467</u> | <u>7,693,839</u> |
| <u>8,783,305</u> | <u>20,135,491</u> | <u>4,353,678</u> | <u>2,147,516</u> | <u>85,175,500</u> | <u>24,107,219</u> |
| <u>\$ 14,185,642</u> | <u>\$ 28,474,711</u> | <u>\$ 5,534,624</u> | <u>\$ 7,047,065</u> | <u>\$ 133,634,700</u> | <u>\$ 40,493,565</u> |

Combining Balance Sheet Nonmajor Special Revenue Funds

State
of
Nevada

June 30, 2002

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| | Care of Sites for Radioactive Waste Disposal | Gift | Natural Resources | Miscellaneous | Total Nonmajor Special Revenue Funds |
|--|--|---------------------|----------------------|----------------------|--|
| Assets | | | | | |
| <i>Cash and pooled investments:</i> | | | | | |
| Cash with treasurer | \$ 11,215,428 | \$ 2,913,480 | \$ 28,495,293 | \$ 13,332,179 | \$ 265,996,496 |
| Cash in custody of other officials | - | 10,815 | - | 66,498 | 684,320 |
| Investments | - | 278,880 | - | 981,995 | 1,260,875 |
| Collateral on loaned securities | 5,962,325 | 1,185,916 | 15,148,614 | 4,803,723 | 106,181,461 |
| <i>Receivables:</i> | | | | | |
| Accounts receivable | 21,883 | 2,117 | - | 167,062 | 3,988,261 |
| Taxes receivable | - | - | - | - | 6,599,159 |
| Intergovernmental receivables | - | 65,554 | - | 110,742 | 3,521,060 |
| Accrued interest and dividends | - | - | - | 2,660 | 2,660 |
| Notes/loans receivable | - | - | - | 73,416 | 73,416 |
| Other receivables | - | 1,067 | - | 70 | 1,137 |
| Due from other funds | 83,932 | 23,673 | 292,990 | 1,040,272 | 16,225,310 |
| Due from fiduciary funds | - | - | - | 58,552 | 360,468 |
| Due from component unit | - | - | - | - | 50 |
| Inventory | - | - | - | 192,545 | 1,342,919 |
| Prepaid items | - | - | - | - | 3,871,226 |
| Total assets | \$ 17,283,568 | \$ 4,481,502 | \$ 43,936,897 | \$ 20,829,714 | \$ 410,108,818 |
| Liabilities and Fund Balances | | | | | |
| <i>Accounts payable and accruals:</i> | | | | | |
| Accounts payable | \$ 4,686 | \$ 141,064 | \$ 12,220 | \$ 1,041,752 | \$ 5,673,293 |
| Accrued payroll and related liabilities | - | 2,894 | - | 319,638 | 2,793,015 |
| Intergovernmental payables | - | - | 1,213,606 | 3,107 | 2,170,086 |
| Contracts/retentions payable | - | - | - | - | 24,967 |
| Obligations under securities lending | 5,962,325 | 1,185,916 | 15,148,614 | 4,803,723 | 106,181,461 |
| Due to other funds | 588 | 4,034 | 236,114 | 3,448,557 | 29,806,056 |
| Due to fiduciary funds | - | 24 | - | 12,800 | 65,142 |
| Due to component unit | - | - | - | 805 | 771,542 |
| Deferred revenues | - | - | - | 383,727 | 4,646,866 |
| Total liabilities | 5,967,599 | 1,333,932 | 16,610,554 | 10,014,109 | 152,132,428 |
| Fund balances: | | | | | |
| <i>Reserved for:</i> | | | | | |
| Encumbrances and contracts | - | - | - | 61,682 | 373,459 |
| Inventories | - | - | - | 192,545 | 1,342,919 |
| Funds held as permanent investments | - | - | - | 180,000 | 180,000 |
| Other | - | - | - | 7,802,515 | 29,832,535 |
| <i>Unreserved:</i> | | | | | |
| <i>Designated:</i> | | | | | |
| Principal preservation | - | 900,000 | - | - | 900,000 |
| Other | - | - | - | 42,683 | 52,183 |
| Undesignated | 11,315,969 | 2,247,570 | 27,326,343 | 2,536,180 | 225,295,294 |
| Total fund balances | 11,315,969 | 3,147,570 | 27,326,343 | 10,815,605 | 257,976,390 |
| Total liabilities and fund balances | \$ 17,283,568 | \$ 4,481,502 | \$ 43,936,897 | \$ 20,829,714 | \$ 410,108,818 |

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2002

| | School Improvement | Employment Security | Regulatory | Legislative | Higher Education Capital Construction |
|--|-----------------------|------------------------|---------------------|---------------------|---|
| Revenues | | | | | |
| Gaming taxes, fees, licenses | \$ - | \$ - | \$ - | \$ - | \$ 15,857,307 |
| Intergovernmental | - | 43,162,211 | 191,480 | - | - |
| Other taxes | 15,043,786 | 8,510,764 | 211,913 | - | - |
| Licenses, fees and permits | - | 335,287 | 15,573,975 | - | - |
| Sales and charges for services | - | 530,555 | 26,123 | 874,964 | - |
| Interest and investment income | 1,602,881 | 826,207 | 82,360 | - | - |
| Tobacco settlement income | - | - | - | - | - |
| Other | - | 1,169,768 | 284,606 | 67,007 | - |
| Total revenues | 16,646,667 | 54,534,792 | 16,370,457 | 941,971 | 15,857,307 |
| Expenditures | | | | | |
| <i>Current:</i> | | | | | |
| General government | 359,677 | 178,503 | 18,662 | 22,016,632 | - |
| Health and social services | - | 46,320,343 | - | - | - |
| Education and support services | - | - | - | - | - |
| Law, justice and public safety | - | - | - | - | - |
| Regulation of business | - | - | 17,009,945 | - | - |
| Recreation, resource development | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - |
| <i>Debt service:</i> | | | | | |
| Principal | - | 31,082 | 13,548 | 97,642 | - |
| Interest | - | 5,928 | 3,025 | 25,260 | - |
| Arbitrage payments | - | - | - | - | - |
| Total expenditures | 359,677 | 46,535,856 | 17,045,180 | 22,139,534 | - |
| Excess (deficiency) of revenues over expenditures | 16,286,990 | 7,998,936 | (674,723) | (21,197,563) | 15,857,307 |
| Other Financing Sources (Uses) | | | | | |
| Capital leases | - | - | - | 506,383 | - |
| Sale of general obligation bonds | - | - | - | - | - |
| Transfers in | - | 889,356 | 1,864,290 | 19,000,843 | - |
| Transfers out | (29,500,000) | (7,983,577) | (704,149) | - | (12,908,858) |
| Transfers to component units | - | - | - | - | (5,000,000) |
| Total other financing sources (uses) | (29,500,000) | (7,094,221) | 1,160,141 | 19,507,226 | (17,908,858) |
| Net change in fund balances | (13,213,010) | 904,715 | 485,418 | (1,690,337) | (2,051,551) |
| Fund balances, July 1 (as restated) | 34,488,524 | 14,904,400 | 7,074,163 | 8,084,827 | 11,681,045 |
| Fund balances, June 30 | \$ 21,275,514 | \$ 15,809,115 | \$ 7,559,581 | \$ 6,394,490 | \$ 9,629,494 |

| Cleaning Up Petroleum Discharges | Hospital Care to Indigent Persons | Tourism Promotion | Offenders' Store | Tobacco Settlement | Contingency | Care of Sites for Radioactive Waste Disposal |
|--|---|----------------------|---------------------|-----------------------|----------------------|--|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | 335,817 | - | 331,896 | 1,177 | - | - |
| 11,461,924 | 20,574,813 | 12,472,813 | - | - | - | - |
| 416,000 | - | 92,032 | - | - | - | 88,509 |
| - | - | - | 10,397,349 | - | - | - |
| 377,308 | 937,842 | - | 295,628 | 4,051,637 | - | 648,043 |
| - | - | - | - | 44,628,083 | - | - |
| 36,000 | - | - | 22,506 | 8,000 | - | - |
| <u>12,291,232</u> | <u>21,848,472</u> | <u>12,564,845</u> | <u>11,047,379</u> | <u>48,688,897</u> | <u>-</u> | <u>736,552</u> |
| 75,871 | 207,652 | - | 65,834 | 1,171,742 | 218,619 | 140,768 |
| - | 6,524,019 | - | - | 17,919,320 | - | 69,878 |
| - | - | - | - | - | - | - |
| - | - | - | 9,800,780 | - | - | - |
| - | - | - | - | - | - | - |
| 6,809,841 | - | 8,978,581 | - | - | - | - |
| 284,515 | 5,995,906 | - | - | 1,275,591 | 4,560,304 | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>7,170,227</u> | <u>12,727,577</u> | <u>8,978,581</u> | <u>9,866,614</u> | <u>20,366,653</u> | <u>4,778,923</u> | <u>210,646</u> |
| <u>5,121,005</u> | <u>9,120,895</u> | <u>3,586,264</u> | <u>1,180,765</u> | <u>28,322,244</u> | <u>(4,778,923)</u> | <u>525,906</u> |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | 202,420 | 52,929 | 4,648,071 | - |
| (513,021) | - | (5,415,483) | (1,689,840) | (1,184,932) | (18,838,445) | (202,290) |
| - | - | - | - | (13,666,832) | - | - |
| <u>(513,021)</u> | <u>-</u> | <u>(5,415,483)</u> | <u>(1,487,420)</u> | <u>(14,798,835)</u> | <u>(14,190,374)</u> | <u>(202,290)</u> |
| 4,607,984 | 9,120,895 | (1,829,219) | (306,655) | 13,523,409 | (18,969,297) | 323,616 |
| 4,175,321 | 11,014,596 | 6,182,897 | 2,454,171 | 71,652,091 | 43,076,516 | 10,992,353 |
| <u>\$ 8,783,305</u> | <u>\$ 20,135,491</u> | <u>\$ 4,353,678</u> | <u>\$ 2,147,516</u> | <u>\$ 85,175,500</u> | <u>\$ 24,107,219</u> | <u>\$ 11,315,969</u> |

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds

State
of
Nevada

For the Fiscal Year Ended June 30, 2002

Page 2 of 2

| | Gift | Natural Resources | Miscellaneous | Total Nonmajor Special Revenue Funds |
|--|---------------------|----------------------|----------------------|--|
| Revenues | | | | |
| Gaming taxes, fees, licenses | \$ - | \$ - | \$ - | \$ 15,857,307 |
| Intergovernmental | - | - | 1,086,900 | 45,109,481 |
| Other taxes | - | - | 1,365,283 | 69,641,296 |
| Licenses, fees and permits | 678,582 | - | 7,238,084 | 24,422,469 |
| Sales and charges for services | - | - | 546,709 | 12,375,700 |
| Interest and investment income | (50,799) | 1,638,426 | 322,173 | 10,731,706 |
| Tobacco settlement income | - | - | - | 44,628,083 |
| Other | 98,413 | - | 2,404,673 | 4,090,973 |
| Total revenues | 726,196 | 1,638,426 | 12,963,822 | 226,857,015 |
| Expenditures | | | | |
| <i>Current:</i> | | | | |
| General government | 28,240 | 354,762 | 8,779,773 | 33,616,735 |
| Health and social services | 103,427 | - | - | 70,936,987 |
| Education and support services | 13,681 | - | 542,336 | 556,017 |
| Law, justice and public safety | - | - | 4,285,483 | 14,086,263 |
| Regulation of business | 1,860 | - | 483,103 | 17,494,908 |
| Recreation, resource development | 316,810 | 1,176,855 | - | 17,282,087 |
| Intergovernmental | - | 6,369,159 | - | 18,485,475 |
| <i>Debt service:</i> | | | | |
| Principal | - | - | - | 142,272 |
| Interest | - | - | - | 34,213 |
| Arbitrage payments | - | 30,500 | - | 30,500 |
| Total expenditures | 464,018 | 7,931,276 | 14,090,695 | 172,665,457 |
| Excess (deficiency) of revenues over expenditures | 262,178 | (6,292,850) | (1,126,873) | 54,191,558 |
| Other Financing Sources (Uses) | | | | |
| Capital leases | - | - | - | 506,383 |
| Sale of general obligation bonds | - | 16,569,633 | - | 16,569,633 |
| Transfers in | 1,105 | - | 3,871,549 | 30,530,563 |
| Transfers out | (17,230) | (329,806) | (1,877,427) | (81,165,058) |
| Transfers to component units | - | - | - | (18,666,832) |
| Total other financing sources (uses) | (16,125) | 16,239,827 | 1,994,122 | (52,225,311) |
| Net change in fund balances | 246,053 | 9,946,977 | 867,249 | 1,966,247 |
| Fund balances, July 1 (as restated) | 2,901,517 | 17,379,366 | 9,948,356 | 256,010,143 |
| Fund balances, June 30 | \$ 3,147,570 | \$ 27,326,343 | \$ 10,815,605 | \$ 257,976,390 |

Combining Balance Sheet Other Nonmajor Governmental Funds

June 30, 2002

| | Capital Projects Funds | | | | |
|--|--|----------------------|------------------------|--------------------------|----------------------------|
| | Parks Capital Project Construction | CIP Motor Vehicle | CIP Human Resources | CIP University System | CIP General State Gov't |
| Assets | | | | | |
| <i>Cash and pooled investments:</i> | | | | | |
| Cash with treasurer | \$ 1,912,064 | \$ 19,849 | \$ 5,005,237 | \$ 73,075,076 | \$ 23,108,895 |
| Investments | - | - | - | - | - |
| Collateral on loaned securities | - | - | - | - | - |
| <i>Receivables:</i> | | | | | |
| Intergovernmental receivables | 753 | - | - | - | - |
| Accrued interest and dividends | - | - | - | - | - |
| Notes receivable | - | - | - | - | - |
| Other receivables | - | - | - | - | 272 |
| Due from other funds | 6,628 | 17,116,606 | - | 2,500,000 | 1,916,032 |
| Total assets | \$ 1,919,445 | \$ 17,136,455 | \$ 5,005,237 | \$ 75,575,076 | \$ 25,025,199 |
| Liabilities and Fund Balances | | | | | |
| <i>Accounts payable and accruals:</i> | | | | | |
| Accounts payable | \$ 4,003 | \$ 5,040 | \$ 9,682 | \$ 129,127 | \$ 27,604 |
| Intergovernmental payables | - | - | - | - | - |
| Contracts payable | 34,389 | 27,472 | 186,954 | 2,215,944 | 1,325,460 |
| Retention payable | 10,837 | - | 30,086 | 1,905,152 | 394,002 |
| Obligations under securities lending | - | - | - | - | - |
| Due to other funds | 45 | 94,104 | 184,242 | 5,332 | 2,787,695 |
| Due to component units | - | - | - | 71,319,521 | - |
| Advances from general fund | - | - | - | - | - |
| Other liabilities | - | - | - | - | - |
| Total liabilities | 49,274 | 126,616 | 410,964 | 75,575,076 | 4,534,761 |
| Fund balances: | | | | | |
| <i>Reserved</i> | | | | | |
| Encumbrances and contracts | 322,021 | 1,129,228 | 623,188 | - | 1,890,330 |
| Permanent fund principal | - | - | - | - | - |
| <i>Unreserved:</i> | | | | | |
| Designated for approved capital projects | 1,548,150 | 15,880,611 | 3,971,085 | - | 18,600,108 |
| Undesignated | - | - | - | - | - |
| Total fund balances | 1,870,171 | 17,009,839 | 4,594,273 | - | 20,490,438 |
| Total liabilities and fund balances | \$ 1,919,445 | \$ 17,136,455 | \$ 5,005,237 | \$ 75,575,076 | \$ 25,025,199 |

| Capital Projects Funds | | | | | Permanent Funds | | |
|------------------------|---------------------|---------------------|-----------------------------|-----------------------|-----------------------|---------------------------|-----------------------|
| CIP Prison System | CIP Military | CIP Wildlife | CIP Assist School Districts | Total | Permanent School Fund | Henry Wood Christmas Fund | Total |
| \$ 12,176,122 | \$ 5,022,122 | \$ 1,353,484 | \$ 6,647,157 | \$ 128,320,006 | \$ 9,130,170 | \$ 51,180 | \$ 9,181,350 |
| - | - | - | - | - | 87,452,617 | - | 87,452,617 |
| - | - | - | 3,533,749 | 3,533,749 | 4,776,729 | - | 4,776,729 |
| - | 873,005 | - | - | 873,758 | 300,517 | - | 300,517 |
| - | - | - | - | - | 1,216,682 | - | 1,216,682 |
| - | - | - | - | - | 120 | - | 120 |
| 300 | 200 | - | - | 772 | - | - | - |
| - | 316,150 | - | 51,305 | 21,906,721 | 128,420 | - | 128,420 |
| <u>\$ 12,176,422</u> | <u>\$ 6,211,477</u> | <u>\$ 1,353,484</u> | <u>\$ 10,232,211</u> | <u>\$ 154,635,006</u> | <u>\$ 103,005,255</u> | <u>\$ 51,180</u> | <u>\$ 103,056,435</u> |
| \$ 1,783 | \$ 66,855 | \$ 4,871 | \$ 43 | \$ 249,008 | \$ - | \$ - | \$ - |
| - | - | - | 16,223 | 16,223 | - | - | - |
| 76,354 | 1,185,361 | - | 941,160 | 5,993,094 | - | - | - |
| 7,961 | 508,861 | - | 718,263 | 3,575,162 | - | - | - |
| - | - | - | 3,533,749 | 3,533,749 | 4,776,729 | - | 4,776,729 |
| 1,448,544 | 138,919 | - | 33,334 | 4,692,215 | 2,944,577 | - | 2,944,577 |
| - | - | - | - | 71,319,521 | - | - | - |
| - | 590,796 | - | - | 590,796 | - | - | - |
| - | - | - | - | - | 460,741 | - | 460,741 |
| <u>1,534,642</u> | <u>2,490,792</u> | <u>4,871</u> | <u>5,242,772</u> | <u>89,969,768</u> | <u>8,182,047</u> | <u>-</u> | <u>8,182,047</u> |
| 1,069,617 | 3,720,685 | - | 4,557,776 | 13,312,845 | - | - | - |
| - | - | - | - | - | 94,823,208 | 30,000 | 94,853,208 |
| 9,572,163 | - | 1,348,613 | 431,663 | 51,352,393 | - | - | - |
| - | - | - | - | - | - | 21,180 | 21,180 |
| <u>10,641,780</u> | <u>3,720,685</u> | <u>1,348,613</u> | <u>4,989,439</u> | <u>64,665,238</u> | <u>94,823,208</u> | <u>51,180</u> | <u>94,874,388</u> |
| <u>\$ 12,176,422</u> | <u>\$ 6,211,477</u> | <u>\$ 1,353,484</u> | <u>\$ 10,232,211</u> | <u>\$ 154,635,006</u> | <u>\$ 103,005,255</u> | <u>\$ 51,180</u> | <u>\$ 103,056,435</u> |

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Other Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2002

| Capital Projects Funds | | | | | |
|--|--|----------------------|------------------------|--------------------------|----------------------------|
| | Parks Capital Project Construction | CIP Motor Vehicle | CIP Human Resources | CIP University System | CIP General State Gov't |
| Revenues | | | | | |
| Intergovernmental | \$ 84,365 | \$ - | \$ - | \$ - | \$ - |
| Interest and investment income | 168 | - | 3,499 | - | - |
| <i>Other:</i> | | | | | |
| Fines | - | - | - | - | - |
| Land sales | - | - | - | - | - |
| Other | - | - | - | - | 4,708 |
| Total revenues | 84,533 | - | 3,499 | - | 4,708 |
| Expenditures | | | | | |
| <i>Current:</i> | | | | | |
| General government | - | - | - | - | - |
| Education and support services | - | - | - | - | - |
| Capital outlay | 317,764 | 721,380 | 2,508,951 | - | 8,358,429 |
| Total expenditures | 317,764 | 721,380 | 2,508,951 | - | 8,358,429 |
| Excess (deficiency) of revenues over expenditures | (233,231) | (721,380) | (2,505,452) | - | (8,353,721) |
| Other Financing Sources (Uses) | | | | | |
| Sale of general obligation bonds | - | - | 3,030,446 | 38,950,411 | 12,000,575 |
| Transfers in | 1,295,451 | 4,437,327 | 1,000 | - | 1,930,337 |
| Transfers out | - | - | (185,885) | - | (872,754) |
| Transfer to component unit | - | - | - | (38,950,411) | - |
| Total other financing sources (uses) | 1,295,451 | 4,437,327 | 2,845,561 | - | 13,058,158 |
| Net change in fund balances | 1,062,220 | 3,715,947 | 340,109 | - | 4,704,437 |
| Fund balances, July 1 (as restated) | 807,951 | 13,293,892 | 4,254,164 | - | 15,786,001 |
| Fund balances, June 30 | \$ 1,870,171 | \$ 17,009,839 | \$ 4,594,273 | \$ - | \$ 20,490,438 |

| Capital Projects Funds | | | | | Permanent Funds | | |
|------------------------|---------------------|---------------------|-----------------------------|----------------------|-----------------------|---------------------------|----------------------|
| CIP Prison System | CIP Military | CIP Wildlife | CIP Assist School Districts | Total | Permanent School Fund | Henry Wood Christmas Fund | Total |
| \$ - | \$ 4,930,818 | \$ - | \$ - | \$ 5,015,183 | \$ - | \$ - | \$ - |
| - | - | - | 543,375 | 547,042 | 7,341,936 | 1,105 | 7,343,041 |
| - | - | - | - | - | 3,779,828 | - | 3,779,828 |
| - | - | - | - | - | 4,975,686 | - | 4,975,686 |
| 200,643 | - | - | - | 205,351 | 10,087 | - | 10,087 |
| <u>200,643</u> | <u>4,930,818</u> | <u>-</u> | <u>543,375</u> | <u>5,767,576</u> | <u>16,107,537</u> | <u>1,105</u> | <u>16,108,642</u> |
| - | - | - | 126,463 | 126,463 | 183,655 | - | 183,655 |
| - | - | - | 8,823,137 | 8,823,137 | - | - | - |
| 851,605 | 5,287,005 | 359,181 | - | 18,404,315 | - | - | - |
| <u>851,605</u> | <u>5,287,005</u> | <u>359,181</u> | <u>8,949,600</u> | <u>27,353,915</u> | <u>183,655</u> | <u>-</u> | <u>183,655</u> |
| <u>(650,962)</u> | <u>(356,187)</u> | <u>(359,181)</u> | <u>(8,406,225)</u> | <u>(21,586,339)</u> | <u>15,923,882</u> | <u>1,105</u> | <u>15,924,987</u> |
| 6,464,281 | 3,093,439 | - | - | 63,539,152 | - | - | - |
| 208,880 | - | - | - | 7,872,995 | - | - | - |
| (1,645,320) | (85,000) | - | (25,000) | (2,813,959) | (6,864,626) | (1,105) | (6,865,731) |
| - | - | - | - | (38,950,411) | - | - | - |
| <u>5,027,841</u> | <u>3,008,439</u> | <u>-</u> | <u>(25,000)</u> | <u>29,647,777</u> | <u>(6,864,626)</u> | <u>(1,105)</u> | <u>(6,865,731)</u> |
| 4,376,879 | 2,652,252 | (359,181) | (8,431,225) | 8,061,438 | 9,059,256 | - | 9,059,256 |
| 6,264,901 | 1,068,433 | 1,707,794 | 13,420,664 | 56,603,800 | 85,763,952 | 51,180 | 85,815,132 |
| <u>\$ 10,641,780</u> | <u>\$ 3,720,685</u> | <u>\$ 1,348,613</u> | <u>\$ 4,989,439</u> | <u>\$ 64,665,238</u> | <u>\$ 94,823,208</u> | <u>\$ 51,180</u> | <u>\$ 94,874,388</u> |



Nonmajor Enterprise Funds



Workers' Compensation and Safety Records assessments on insurers for compensation of injured workers and administration of regulations for employee safety (NRS 616A.425), assesses self-insurers to pay claims against insolvent self-insured employers (NRS 616B.309), accounts for compensation benefits to physically impaired employees from a subsequent injury in the course of employment (NRS 616B.554, 616B.575, 616B.584), and accounts for injury claims of employees of uninsured employers (NRS 616A.430).

Insurance Examination Accounts for activities related to examinations of financial records and assets of authorized insurers (NRS 679B.300).

Gaming Investigative Accounts for activities related to investigations of gaming license applicants (NRS 463.331) and cash transactions of gaming licensees (NRS 463.332).

Forestry Nurseries Accounts for the self-supporting operation of State nurseries, which propagate, maintain and distribute plants for conservation purposes (NRS 528.100).

Prison Industry Accounts for a self-supporting program of job training through the employment of inmates in farming and manufacturing (NRS 209.189).

Nevada Magazine Accounts for the operation of the publication, Nevada Magazine, which is published to promote tourism (NRS 231.290).

WICHE Student Loans Accounts for loans and stipends to students in professional and graduate programs where such education is not available from an institution within the State (NRS 397.063).

Marlette Lake Water System Accounts for the costs of operating the State-owned Marlette Lake Water System. The system serves the State Buildings and Grounds Division and portions of Carson City and Storey County (NRS 331.180).

Water Projects Loans Accounts for revenues and expenses associated with operating a revolving fund to finance local government pollution control projects (NRS 445A.120), and with operating revolving and set-aside program funds to finance local public water systems' safe drinking water act projects (NRS 445A.255).

Combining Statement of Net Assets Nonmajor Enterprise Funds

June 30, 2002

| | Workers' Compensation and Safety | Insurance Examination | Gaming Investigative | Forestry Nurseries |
|---|-------------------------------------|--------------------------|-------------------------|-----------------------|
| Assets | | | | |
| Current assets: | | | | |
| <i>Cash and pooled investments:</i> | | | | |
| Cash with treasurer | \$ 24,596,105 | \$ 470,402 | \$ 4,927,324 | \$ 364,855 |
| Cash in custody of other officials | 300 | - | 213,746 | - |
| Collateral on loaned securities | 13,075,735 | - | - | - |
| <i>Receivables:</i> | | | | |
| Accounts receivable | 13,169 | 820,807 | 94,800 | 7,820 |
| Intergovernmental receivables | 278,699 | - | - | 18,919 |
| Accrued interest and dividends | - | - | - | - |
| Due from other funds | 1,085,171 | 27,563 | 12,398 | 33,499 |
| Due from fiduciary funds | - | - | - | 15 |
| Due from component unit | - | - | - | 414 |
| Inventory | - | - | - | 108,773 |
| Prepaid expenses | - | - | 16,063 | - |
| Total current assets | 39,049,179 | 1,318,772 | 5,264,331 | 534,295 |
| Noncurrent assets: | | | | |
| Investments | - | - | - | - |
| <i>Receivables:</i> | | | | |
| Notes/loans receivable | - | - | - | - |
| Deferred charges | - | - | - | - |
| <i>Capital assets:</i> | | | | |
| Land | - | - | - | - |
| Buildings | - | - | - | - |
| Improvements other than buildings | - | - | - | - |
| Furniture and equipment | 1,692,126 | - | - | 71,763 |
| Less accumulated depreciation | (1,239,381) | - | - | (71,763) |
| Total noncurrent assets | 452,745 | - | - | - |
| Total assets | 39,501,924 | 1,318,772 | 5,264,331 | 534,295 |
| Liabilities | | | | |
| Current Liabilities: | | | | |
| <i>Accounts payable and accruals:</i> | | | | |
| Accounts payable | 678,582 | 171,621 | 92,788 | 13,062 |
| Accrued payroll and related liabilities | 526,764 | - | - | 8,845 |
| Interest payable | - | - | - | - |
| Intergovernmental payables | - | - | 68 | - |
| Obligations under securities lending | 13,075,735 | - | - | - |
| Due to other funds | 125,756 | 447,842 | 563,160 | 2,595 |
| Due to fiduciary funds | 1,103 | - | - | 2,305 |
| Due to component unit | 4,420 | - | - | - |
| Deferred revenues | - | - | 4,356,315 | - |
| Other liabilities | - | - | - | - |
| <i>Short-term portion of long-term liabilities:</i> | | | | |
| Compensated absences | 568,730 | - | - | 19,215 |
| Bonds payable | - | - | - | - |
| Total current liabilities | 14,981,090 | 619,463 | 5,012,331 | 46,022 |
| Noncurrent liabilities: | | | | |
| Advances from general fund | - | - | - | - |
| Compensated absences | 236,696 | - | - | 21,400 |
| Bonds payable | - | - | - | - |
| Arbitrage rebate liability | - | - | - | - |
| Total noncurrent liabilities | 236,696 | - | - | 21,400 |
| Total liabilities | 15,217,786 | 619,463 | 5,012,331 | 67,422 |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | 452,745 | - | - | - |
| Restricted for workers compensation | 23,831,393 | - | - | - |
| Restricted for revolving loans | - | - | - | - |
| Restricted for regulation of business | - | 699,309 | 2,000 | - |
| Unrestricted | - | - | 250,000 | 466,873 |
| Total net assets | \$ 24,284,138 | \$ 699,309 | \$ 252,000 | \$ 466,873 |

| Prison Industry | Nevada Magazine | WICHE Student Loans | Marlette Lake Water System | Water Projects Loans | Total |
|---------------------|---------------------|---------------------|----------------------------|-----------------------|-----------------------|
| \$ 2,021,990 | \$ - | \$ 262,715 | \$ 78,589 | \$ 38,298,778 | \$ 71,020,758 |
| - | 16,432 | - | - | - | 230,478 |
| 1,072,094 | - | - | - | 20,445,607 | 34,593,436 |
| 308,272 | 81,990 | - | 849 | - | 1,327,707 |
| 53,301 | 9,377 | - | 4,077 | 1,615,899 | 1,980,272 |
| - | - | 438,258 | - | 1,811,636 | 2,249,894 |
| 249,836 | 1,066 | - | 33,692 | 469,268 | 1,912,493 |
| 9,893 | - | - | 132 | - | 10,040 |
| 11,977 | - | - | 3,960 | - | 16,351 |
| 1,452,442 | 19,969 | - | - | - | 1,581,184 |
| 3,130 | 30,313 | - | - | - | 49,506 |
| <u>5,182,935</u> | <u>159,147</u> | <u>700,973</u> | <u>121,299</u> | <u>62,641,188</u> | <u>114,972,119</u> |
| - | - | - | - | 72,256,128 | 72,256,128 |
| - | - | 2,267,931 | - | 58,923,318 | 61,191,249 |
| - | - | - | - | 1,101,606 | 1,101,606 |
| 20,579 | - | - | 414,672 | - | 435,251 |
| 2,479,651 | - | - | 498,613 | - | 2,978,264 |
| - | - | - | 630,647 | - | 630,647 |
| 910,652 | 10,394 | - | 1,506,417 | 8,667 | 4,200,019 |
| <u>(2,102,004)</u> | <u>(10,394)</u> | <u>-</u> | <u>(2,066,836)</u> | <u>(2,879)</u> | <u>(5,493,257)</u> |
| <u>1,308,878</u> | <u>-</u> | <u>2,267,931</u> | <u>983,513</u> | <u>132,286,840</u> | <u>137,299,907</u> |
| <u>6,491,813</u> | <u>159,147</u> | <u>2,968,904</u> | <u>1,104,812</u> | <u>194,928,028</u> | <u>252,272,026</u> |
| 262,274 | 7,794 | 46 | 22,515 | 186,125 | 1,434,807 |
| 80,490 | 33,065 | - | 4,847 | 12,502 | 666,513 |
| - | - | - | - | 1,210,046 | 1,210,046 |
| - | - | - | - | 5,000 | 5,068 |
| 1,072,094 | - | - | - | 20,445,607 | 34,593,436 |
| 36,173 | 11,579 | 80,600 | 22,278 | 471,215 | 1,761,198 |
| 131,911 | - | - | - | - | 135,319 |
| - | - | - | - | 34,484 | 38,904 |
| 45,725 | 488,701 | - | - | - | 4,890,741 |
| 5,956 | - | - | 1,100 | - | 7,056 |
| 98,081 | 36,026 | - | 2,689 | 7,175 | 731,916 |
| - | - | - | - | 3,214,129 | 3,214,129 |
| <u>1,732,704</u> | <u>577,165</u> | <u>80,646</u> | <u>53,429</u> | <u>25,586,283</u> | <u>48,689,133</u> |
| 20,000 | - | - | 104,784 | - | 124,784 |
| 54,673 | 37,501 | - | 4,092 | 3,607 | 357,969 |
| - | - | - | - | 55,000,997 | 55,000,997 |
| - | - | - | - | 43,381 | 43,381 |
| <u>74,673</u> | <u>37,501</u> | <u>-</u> | <u>108,876</u> | <u>55,047,985</u> | <u>55,527,131</u> |
| <u>1,807,377</u> | <u>614,666</u> | <u>80,646</u> | <u>162,305</u> | <u>80,634,268</u> | <u>104,216,264</u> |
| 1,308,878 | - | - | 878,729 | 5,788 | 2,646,140 |
| - | - | - | - | - | 23,831,393 |
| - | - | - | - | 114,287,972 | 114,287,972 |
| - | - | - | - | - | 701,309 |
| 3,375,558 | (455,519) | 2,888,258 | 63,778 | - | 6,588,948 |
| <u>\$ 4,684,436</u> | <u>\$ (455,519)</u> | <u>\$ 2,888,258</u> | <u>\$ 942,507</u> | <u>\$ 114,293,760</u> | <u>\$ 148,055,762</u> |

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2002

| | Workers' Compensation and Safety | Insurance Examination | Gaming Investigative | Forestry Nurseries |
|---|--|--------------------------|-------------------------|-----------------------|
| Operating Revenues | | | | |
| Sales | \$ - | \$ - | \$ - | \$ 224,905 |
| Assessments | 20,561,434 | - | - | - |
| Charges for services | 5,858 | - | 7,849,438 | - |
| Rental income | - | - | - | - |
| Interest income on loans | - | - | - | - |
| Federal grants | - | - | - | - |
| Licenses, fees and permits | 229,689 | 2,599,691 | - | - |
| Contributions | - | - | - | - |
| Other | 1,897,225 | - | - | 5,659 |
| Total operating revenues | 22,694,206 | 2,599,691 | 7,849,438 | 230,564 |
| Operating Expenses | | | | |
| Salaries and benefits | 11,759,695 | - | - | 142,074 |
| Operating | 2,856,282 | 1,939,322 | 1,017,143 | 53,893 |
| Administrative costs | 26,250 | 33,737 | - | - |
| Claims expense | 3,960,440 | - | - | - |
| Materials or supplies used | - | - | - | 69,920 |
| Depreciation | 176,102 | - | - | - |
| Bond issuance costs | - | - | - | - |
| Total operating expenses | 18,778,769 | 1,973,059 | 1,017,143 | 265,887 |
| Operating income (loss) | 3,915,437 | 626,632 | 6,832,295 | (35,323) |
| Nonoperating Revenues (Expenses) | | | | |
| Interest and investment income | 1,705,543 | - | - | - |
| Interest expense | (389,952) | - | - | - |
| Federal grants | 2,106,876 | - | - | 18,919 |
| Gain (loss) on disposal of assets | 665 | - | - | - |
| Arbitrage rebate | - | - | - | - |
| Total nonoperating revenues (expenses) | 3,423,132 | - | - | 18,919 |
| Income (loss) before transfers | 7,338,569 | 626,632 | 6,832,295 | (16,404) |
| Transfers | | | | |
| Transfers in | - | - | 22,377 | 15,298 |
| Transfer out | (8,539,115) | (585,878) | (6,854,672) | (4,663) |
| Change in net assets | (1,200,546) | 40,754 | - | (5,769) |
| Net assets, July 1 (as restated) | 25,484,684 | 658,555 | 252,000 | 472,642 |
| Net assets, June 30 | \$ 24,284,138 | \$ 699,309 | \$ 252,000 | \$ 466,873 |

| Prison Industry | Nevada Magazine | WICHE Student Loans | Marlette Lake Water System | Water Project Loans | Total |
|---------------------|---------------------|---------------------|----------------------------|-----------------------|-----------------------|
| \$ 4,090,551 | \$ 1,324,947 | \$ - | \$ 302,832 | \$ - | \$ 5,943,235 |
| - | - | - | - | - | 20,561,434 |
| 1,074,044 | 635,650 | - | - | - | 9,564,990 |
| 177,355 | - | - | 13,200 | - | 190,555 |
| - | - | 70,425 | - | 4,273,841 | 4,344,266 |
| - | - | - | - | 9,371,206 | 9,371,206 |
| - | - | - | - | - | 2,829,380 |
| 110,706 | - | - | - | - | 110,706 |
| 99,599 | 6,259 | 2,693 | - | - | 2,011,435 |
| <u>5,552,255</u> | <u>1,966,856</u> | <u>73,118</u> | <u>316,032</u> | <u>13,645,047</u> | <u>54,927,207</u> |
| 1,644,485 | 782,695 | - | 42,315 | 267,046 | 14,638,310 |
| 2,745,462 | 555,699 | 1,070,023 | 288,529 | 1,159,932 | 11,686,285 |
| - | - | - | - | - | 59,987 |
| - | - | - | - | - | 3,960,440 |
| 1,404,626 | 624,383 | - | - | - | 2,098,929 |
| 100,409 | - | - | 49,788 | 2,879 | 329,178 |
| - | - | - | - | 150,729 | 150,729 |
| <u>5,894,982</u> | <u>1,962,777</u> | <u>1,070,023</u> | <u>380,632</u> | <u>1,580,586</u> | <u>32,923,858</u> |
| <u>(342,727)</u> | <u>4,079</u> | <u>(996,905)</u> | <u>(64,600)</u> | <u>12,064,461</u> | <u>22,003,349</u> |
| 136,370 | - | - | - | 2,537,308 | 4,379,221 |
| (30,454) | - | - | - | (3,403,464) | (3,823,870) |
| - | - | - | - | - | 2,125,795 |
| - | - | - | 1,350 | - | 2,015 |
| - | - | - | - | 60,704 | 60,704 |
| <u>105,916</u> | <u>-</u> | <u>-</u> | <u>1,350</u> | <u>(805,452)</u> | <u>2,743,865</u> |
| <u>(236,811)</u> | <u>4,079</u> | <u>(996,905)</u> | <u>(63,250)</u> | <u>11,259,009</u> | <u>24,747,214</u> |
| - | 116,000 | 278,154 | - | - | 431,829 |
| - | - | - | - | (895,068) | (16,879,396) |
| <u>(236,811)</u> | <u>120,079</u> | <u>(718,751)</u> | <u>(63,250)</u> | <u>10,363,941</u> | <u>8,299,647</u> |
| <u>4,921,247</u> | <u>(575,598)</u> | <u>3,607,009</u> | <u>1,005,757</u> | <u>103,929,819</u> | <u>139,756,115</u> |
| <u>\$ 4,684,436</u> | <u>\$ (455,519)</u> | <u>\$ 2,888,258</u> | <u>\$ 942,507</u> | <u>\$ 114,293,760</u> | <u>\$ 148,055,762</u> |

Combining Statement of Cash Flows Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2002

| | Worker's Compensation and Safety | Insurance Examination | Gaming Investigative | Forestry Nurseries |
|---|---|----------------------------------|---------------------------------|-------------------------------|
| Cash flows from operating activities | | | | |
| Receipts from customers and users | \$ 22,945,728 | \$ 1,751,321 | \$ - | \$ 196,419 |
| Receipts for interfund services provided | 7,398 | - | 7,644,702 | 19,643 |
| Receipts from component units | - | - | - | - |
| Receipts of principal on loans and notes | - | - | - | - |
| Receipts of interest on loans and notes | - | - | - | - |
| Payments to suppliers, other governments and beneficiaries | (14,696,492) | (1,749,495) | (945,802) | (75,509) |
| Payments to employees | (11,308,892) | - | - | (104,486) |
| Payments for interfund services used | (720,072) | (99,650) | (164,883) | (19,358) |
| Payments to component units | (12,839) | - | - | - |
| Purchase of loans and notes | - | - | - | - |
| Net cash provided by (used for) operating activities | <u>(3,785,169)</u> | <u>(97,824)</u> | <u>6,534,017</u> | <u>16,709</u> |
| Cash flows from noncapital financing activities | | | | |
| Grant receipts | 2,162,819 | - | - | - |
| Proceeds from sale of bonds | - | - | - | - |
| Transfers from other funds | - | - | 16,287 | - |
| Principal paid on noncapital debt | - | - | - | - |
| Interest paid on noncapital debt | - | - | - | - |
| Transfers to other funds | (9,343,575) | (354,508) | (7,375,999) | (4,663) |
| Other noncapital financing activities | (71,514) | - | - | - |
| Net cash provided by (used for) noncapital financing activities | <u>(7,252,270)</u> | <u>(354,508)</u> | <u>(7,359,712)</u> | <u>(4,663)</u> |
| Cash flows from capital and related financing activities | | | | |
| Proceeds from sale of capital assets | 665 | - | - | - |
| Purchase of capital assets | (222,706) | - | - | - |
| Principal paid on capital debt | - | - | - | - |
| Net cash provided by (used for) capital and related financing activities | <u>(222,041)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Cash flows from investing activities | | | | |
| Interest and dividends received | 1,490,492 | - | - | - |
| Net cash provided by (used for) investing activities | <u>1,490,492</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net increase (decrease) in cash | (9,768,988) | (452,332) | (825,695) | 12,046 |
| Cash and cash equivalents, July 1 | 34,365,393 | 922,734 | 5,966,765 | 352,809 |
| Cash and cash equivalents, June 30 | <u>\$ 24,596,405</u> | <u>\$ 470,402</u> | <u>\$ 5,141,070</u> | <u>\$ 364,855</u> |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities | | | | |
| Operating income (loss) | \$ 3,915,437 | \$ 626,632 | \$ 6,832,295 | \$ (35,323) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities | | | | |
| Depreciation | 176,102 | - | - | - |
| Amortization | - | - | - | - |
| Grants | - | - | - | - |
| Decrease (increase) in loans and notes receivable | - | - | - | - |
| Decrease (increase) in accrued interest and receivables | 258,920 | (848,370) | 10,607 | (14,502) |
| Decrease (increase) in inventory, deferred charges, other assets | - | - | (15,013) | 26,280 |
| Increase (decrease) in accounts payable, accruals, other liabilities | (8,135,628) | 123,914 | (293,872) | 40,254 |
| Other adjustments | - | - | - | - |
| Total adjustments | <u>(7,700,606)</u> | <u>(724,456)</u> | <u>(298,278)</u> | <u>52,032</u> |
| Net cash provided by (used for) operating activities | <u>\$ (3,785,169)</u> | <u>\$ (97,824)</u> | <u>\$ 6,534,017</u> | <u>\$ 16,709</u> |
| Noncash investing, capital and financing activities | | | | |
| Interest/dividends on investments accrued | \$ - | \$ - | \$ - | \$ - |
| Change in fair value of investments | 162,030 | - | - | - |

| Prison Industry | Nevada Magazine | Wiche Student Loans | Marlette Lake Water System | Water Projects Loans | Total Nonmajor Enterprise Funds |
|---------------------|---------------------|---------------------|----------------------------|------------------------|---------------------------------|
| \$ 3,252,144 | \$ 1,130,664 | \$ 572,752 | \$ 138,004 | \$ - | \$ 29,987,032 |
| 2,370,526 | 661,437 | - | 186,169 | 6,527 | 10,896,402 |
| - | 966 | - | 14,913 | - | 15,879 |
| - | - | - | - | 5,814,425 | 5,814,425 |
| - | - | - | - | 4,076,182 | 4,076,182 |
| (2,766,749) | (1,063,230) | (1,171,232) | (220,319) | (770,325) | (23,459,153) |
| (1,486,160) | (709,595) | - | (29,215) | (251,930) | (13,890,278) |
| (1,634,593) | (124,170) | (47,455) | (57,271) | (55,710) | (2,923,162) |
| - | (2,429) | - | - | (109,090) | (124,358) |
| - | - | - | - | (21,327,229) | (21,327,229) |
| <u>(264,832)</u> | <u>(106,357)</u> | <u>(645,935)</u> | <u>32,281</u> | <u>(12,617,150)</u> | <u>(10,934,260)</u> |
| - | - | - | - | 7,755,307 | 9,918,126 |
| - | - | - | - | 1,566,162 | 1,566,162 |
| - | 116,000 | 358,754 | - | - | 491,041 |
| - | - | - | - | (1,745,000) | (1,745,000) |
| - | - | - | - | (3,060,179) | (3,060,179) |
| - | - | - | - | (600,031) | (17,678,776) |
| (5,052) | - | - | - | (259,463) | (336,029) |
| <u>(5,052)</u> | <u>116,000</u> | <u>358,754</u> | <u>-</u> | <u>3,656,796</u> | <u>(10,844,655)</u> |
| - | - | - | 983 | - | 1,648 |
| (390,289) | - | - | (17,951) | - | (630,946) |
| - | - | - | (10,540) | - | (10,540) |
| <u>(390,289)</u> | <u>-</u> | <u>-</u> | <u>(27,508)</u> | <u>-</u> | <u>(639,838)</u> |
| 121,096 | - | - | - | 1,424,118 | 3,035,706 |
| <u>121,096</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,424,118</u> | <u>3,035,706</u> |
| (539,077) | 9,643 | (287,181) | 4,773 | (7,536,236) | (19,383,047) |
| 2,561,067 | 6,789 | 549,896 | 73,816 | 45,835,014 | 90,634,283 |
| <u>\$ 2,021,990</u> | <u>\$ 16,432</u> | <u>\$ 262,715</u> | <u>\$ 78,589</u> | <u>\$ 38,298,778</u> | <u>\$ 71,251,236</u> |
| | | | | | |
| \$ (342,727) | \$ 4,079 | \$ (996,905) | \$ (64,600) | \$ 12,064,461 | \$ 22,003,349 |
| 100,409 | - | - | 49,788 | 2,879 | 329,178 |
| - | - | - | - | 150,729 | 150,729 |
| - | - | - | - | (7,755,307) | (7,755,307) |
| - | - | 218,656 | - | (15,512,804) | (15,294,148) |
| 44,375 | 19,995 | 132,268 | 23,054 | (3,427,535) | (3,801,188) |
| 165,799 | 38,947 | - | - | 1,101,606 | 1,317,619 |
| (232,688) | (169,378) | 46 | 24,039 | 808,489 | (7,834,824) |
| - | - | - | - | (49,668) | (49,668) |
| <u>77,895</u> | <u>(110,436)</u> | <u>350,970</u> | <u>96,881</u> | <u>(24,681,611)</u> | <u>(32,937,609)</u> |
| <u>\$ (264,832)</u> | <u>\$ (106,357)</u> | <u>\$ (645,935)</u> | <u>\$ 32,281</u> | <u>\$ (12,617,150)</u> | <u>\$ (10,934,260)</u> |
| | | | | | |
| \$ 16,365 | \$ - | \$ - | \$ - | \$ 1,811,636 | \$ 1,828,001 |
| 13,974 | - | - | - | 242,904 | 418,908 |



Internal Service Funds



Self-Insurance Accounts for self-insured group life, accident and health insurance plans for State and other government employees (NRS 287.0435).

Buildings and Grounds Accounts for the maintenance, housekeeping and security of most State buildings (NRS 331.101).

Motor Pool Accounts for the operations of the State vehicle fleet (NRS 336.110).

Communications Accounts for the operation of mail services for State agencies in Carson City, Reno, Las Vegas and Elko (NRS 331.103).

Insurance Premiums Allocates the costs of fidelity insurance, property insurance and workers' compensation insurance to State agencies (NRS 331.187).

Administrative Services Provides administrative and accounting services to various divisions of the Department of Administration (NRS 232.219).

Personnel Accounts for the costs of administering the State personnel system. Operations are financed by assessments charged to user agencies (NRS 284.110).

Purchasing Provides purchasing services to State agencies and other governmental units. The operation is financed by an administrative charge on purchase orders and warehouse orders (NRS 333.120).

Information Services Accounts for designing, programming, and maintaining data processing software and also operating the State's central computer facility, radio communication and telecommunication systems (NRS 242.211).

Printing Accounts for the operation of the State printing facilities (NRS 344.090).

Combining Statement of Net Assets Internal Service Funds

June 30, 2002

| | Self-Insurance | Buildings and Grounds | Motor Pool | Communications |
|---|------------------------|--------------------------|---------------------|-------------------|
| Assets | | | | |
| Current assets: | | | | |
| <i>Cash and pooled investments:</i> | | | | |
| Cash with treasurer | \$ 12,344,429 | \$ 1,786,763 | \$ 1,324,205 | \$ 135,268 |
| Cash in custody of other officials | - | - | - | - |
| Collateral on loaned securities | 6,552,815 | - | - | - |
| <i>Receivables:</i> | | | | |
| Accounts receivable | 342,529 | 4,330 | - | 430 |
| Intergovernmental receivables | 480,218 | 4,593 | 2,159 | 1,780 |
| Notes receivable | - | - | - | - |
| Due from other funds | 941,322 | 218,022 | 328,042 | 614,416 |
| Due from fiduciary funds | 24,331 | - | - | 964 |
| Due from component unit | 328,397 | - | 10,901 | 619 |
| Inventory | - | - | - | - |
| Prepaid expenses | 1,720 | 625 | - | - |
| Total current assets | 21,015,761 | 2,014,333 | 1,665,307 | 753,477 |
| Noncurrent assets: | | | | |
| Notes receivable | - | - | - | - |
| Other assets | - | - | - | - |
| <i>Capital assets:</i> | | | | |
| Land | - | 20,400 | - | - |
| Buildings | - | 2,268,068 | 1,037,144 | - |
| Improvements other than buildings | - | 291,216 | 13,650 | 422,451 |
| Furniture and equipment | 1,118,478 | 652,024 | 12,732,045 | 801,680 |
| Construction in progress | - | - | - | - |
| Less accumulated depreciation | (980,648) | (1,637,263) | (8,935,773) | (449,325) |
| Total noncurrent assets | 137,830 | 1,594,445 | 4,847,066 | 774,806 |
| Total assets | 21,153,591 | 3,608,778 | 6,512,373 | 1,528,283 |
| Liabilities | | | | |
| Current Liabilities: | | | | |
| <i>Accounts payable and accruals:</i> | | | | |
| Accounts payable | 1,732,833 | 611,445 | 267,177 | 53,135 |
| Accrued payroll and related liabilities | 61,025 | 186,142 | 30,647 | 35,885 |
| Intergovernmental payables | - | 2,922 | 321 | - |
| Bank overdraft | 2,911,537 | - | - | - |
| Obligations under securities lending | 6,552,815 | - | - | - |
| Due to other funds | 754,207 | 287,556 | 851,728 | 56,741 |
| Due to fiduciary funds | - | 3,601 | 930 | 358 |
| Due to component unit | - | - | 327 | - |
| Deferred revenues | 23,948 | 2,117 | - | - |
| <i>Short-term portion of long-term liabilities:</i> | | | | |
| Compensated absences | 66,577 | 246,955 | 50,893 | 49,310 |
| Obligations under capital leases | - | - | - | 68,789 |
| Total current liabilities | 12,102,942 | 1,340,738 | 1,202,023 | 264,218 |
| Noncurrent liabilities: | | | | |
| <i>Advances:</i> | | | | |
| Advances from general fund | - | 1,070,718 | 297,854 | 295,719 |
| Advances from special revenue fund | - | - | 15,494 | - |
| Advances from debt service fund | - | - | - | - |
| Reserve for losses | 24,882,355 | - | - | - |
| Compensated absences | 20,139 | 194,451 | 38,842 | 31,196 |
| Bonds payable | - | - | - | - |
| Obligations under capital leases | - | - | - | 37,422 |
| Total noncurrent liabilities | 24,902,494 | 1,265,169 | 352,190 | 364,337 |
| Total liabilities | 37,005,436 | 2,605,907 | 1,554,213 | 628,555 |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | 137,830 | 604,125 | 4,480,307 | 301,754 |
| Unrestricted | (15,989,675) | 398,746 | 477,853 | 597,974 |
| Total net assets | \$ (15,851,845) | \$ 1,002,871 | \$ 4,958,160 | \$ 899,728 |

| Insurance Premiums | Administrative Services | Personnel | Purchasing | Information Services | Printing | Total |
|------------------------|----------------------------|---------------------|-------------------|-------------------------|-------------------|------------------------|
| \$ 6,133,729 | \$ 277,081 | \$ 2,333,430 | \$ 346,400 | \$ 6,966,219 | \$ 254,436 | \$ 31,901,960 |
| - | - | - | - | 200 | 75 | 275 |
| - | - | - | - | - | - | 6,552,815 |
| 2,835 | - | - | 8,324 | 49,271 | - | 407,719 |
| 7 | - | - | 97,011 | 6,246 | 15,002 | 607,016 |
| 6,200 | - | - | - | - | - | 6,200 |
| 1,046,460 | 717 | 8,916 | 199,883 | 6,909,877 | 258,491 | 10,526,146 |
| - | - | - | 1,006 | 6,485 | - | 32,786 |
| 853 | - | - | 9,280 | 4,347 | 30 | 354,427 |
| - | - | - | 350,938 | 16,203 | 348,182 | 715,323 |
| - | - | 1,458 | - | 138,506 | 1,475 | 143,784 |
| <u>7,190,084</u> | <u>277,798</u> | <u>2,343,804</u> | <u>1,012,842</u> | <u>14,097,354</u> | <u>877,691</u> | <u>51,248,451</u> |
| 158,200 | - | - | - | - | - | 158,200 |
| 598,522 | - | - | - | - | - | 598,522 |
| - | - | - | 95,554 | 15,000 | - | 130,954 |
| - | - | - | 140,000 | 3,070,108 | 744,617 | 7,259,937 |
| - | - | - | - | - | - | 727,317 |
| 36,103 | 50,117 | 311,745 | 494,635 | 35,425,900 | 3,256,125 | 54,878,852 |
| - | - | - | - | 2,615,728 | 140,151 | 2,755,879 |
| (29,969) | (31,143) | (258,496) | (570,884) | (29,124,160) | (2,922,097) | (44,939,758) |
| <u>762,856</u> | <u>18,974</u> | <u>53,249</u> | <u>159,305</u> | <u>12,002,576</u> | <u>1,218,796</u> | <u>21,569,903</u> |
| <u>7,952,940</u> | <u>296,772</u> | <u>2,397,053</u> | <u>1,172,147</u> | <u>26,099,930</u> | <u>2,096,487</u> | <u>72,818,354</u> |
| 981,660 | 344 | 100,947 | 6,691 | 882,682 | 114,968 | 4,751,882 |
| 27,808 | 45,169 | 234,290 | 65,791 | 580,449 | 72,344 | 1,339,550 |
| - | - | - | - | - | - | 3,243 |
| - | - | - | - | - | - | 2,911,537 |
| - | - | - | - | - | - | 6,552,815 |
| 554,495 | 2,729 | 192,169 | 285,213 | 1,067,390 | 181,179 | 4,233,407 |
| 485,269 | - | 5,606 | - | 699 | - | 496,463 |
| 66,782 | - | - | - | - | - | 67,109 |
| - | - | - | - | - | - | 26,065 |
| 27,282 | 48,598 | 267,000 | 91,672 | 793,844 | 114,509 | 1,756,640 |
| - | - | - | - | 320,802 | 52,472 | 442,063 |
| <u>2,143,296</u> | <u>96,840</u> | <u>800,012</u> | <u>449,367</u> | <u>3,645,866</u> | <u>535,472</u> | <u>22,580,774</u> |
| - | - | - | 252,095 | 3,362,132 | 423,776 | 5,702,294 |
| - | - | - | - | - | - | 15,494 |
| - | - | - | - | 3,400,054 | - | 3,400,054 |
| 38,335,533 | - | - | - | - | - | 63,217,888 |
| 10,358 | 30,811 | 192,294 | 84,816 | 376,232 | 96,792 | 1,075,931 |
| - | - | - | - | 757,033 | - | 757,033 |
| - | - | - | - | 799,501 | 222,545 | 1,059,468 |
| <u>38,345,891</u> | <u>30,811</u> | <u>192,294</u> | <u>336,911</u> | <u>8,694,952</u> | <u>743,113</u> | <u>75,228,162</u> |
| <u>40,489,187</u> | <u>127,651</u> | <u>992,306</u> | <u>786,278</u> | <u>12,340,818</u> | <u>1,278,585</u> | <u>97,808,936</u> |
| 6,134 | 18,974 | 53,249 | 97,704 | 5,282,198 | 1,078,645 | 12,060,920 |
| (32,542,381) | 150,147 | 1,351,498 | 288,165 | 8,476,914 | (260,743) | (37,051,502) |
| <u>\$ (32,536,247)</u> | <u>\$ 169,121</u> | <u>\$ 1,404,747</u> | <u>\$ 385,869</u> | <u>\$ 13,759,112</u> | <u>\$ 817,902</u> | <u>\$ (24,990,582)</u> |

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Internal Service Funds

For the Fiscal Year Ended June 30, 2002

| | Self-Insurance | Buildings and Grounds | Motor Pool | Communications |
|---|------------------------|--------------------------|---------------------|-------------------|
| Operating Revenues | | | | |
| Net premium income | \$ 146,343,773 | \$ - | \$ - | \$ - |
| Sales | - | - | 35,895 | - |
| Charges for services | - | 836,222 | - | 6,382,859 |
| Rental income | - | 11,826,851 | 3,156,920 | - |
| Other | 1,159,273 | 7,539 | 21,210 | - |
| Total operating revenues | 147,503,046 | 12,670,612 | 3,214,025 | 6,382,859 |
| Operating Expenses | | | | |
| Salaries and benefits | 1,294,959 | 4,313,965 | 697,385 | 865,067 |
| Operating | 608,157 | 7,992,788 | 964,398 | 5,601,473 |
| Claims expense | 128,430,462 | - | - | - |
| Materials or supplies used | - | - | 374,374 | - |
| Depreciation | 66,010 | 68,749 | 1,556,819 | 86,745 |
| Insurance premiums | 33,960,619 | - | - | - |
| Total operating expenses | 164,360,207 | 12,375,502 | 3,592,976 | 6,553,285 |
| Operating income (loss) | (16,857,161) | 295,110 | (378,951) | (170,426) |
| Nonoperating Revenues (Expenses) | | | | |
| Interest and investment income | 746,988 | - | - | - |
| Interest expense | (161,925) | - | - | (15,900) |
| Gain (loss) on disposal of assets | - | - | (42,821) | - |
| Total nonoperating revenues (expenses) | 585,063 | - | (42,821) | (15,900) |
| Income (loss) before transfers | (16,272,098) | 295,110 | (421,772) | (186,326) |
| Transfers | | | | |
| Transfers in | 12,193 | 71,082 | 13,800 | - |
| Transfers out | - | (46,014) | (700,000) | (16,494) |
| Change in net assets | (16,259,905) | 320,178 | (1,107,972) | (202,820) |
| Net assets, July 1 | 408,060 | 682,693 | 6,066,132 | 1,102,548 |
| Net assets, June 30 | \$ (15,851,845) | \$ 1,002,871 | \$ 4,958,160 | \$ 899,728 |

| Insurance Premiums | Administrative Services | Personnel | Purchasing | Information Services | Printing | Total |
|------------------------|----------------------------|---------------------|-------------------|-------------------------|-------------------|------------------------|
| \$ 13,509,993 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 159,853,766 |
| - | - | - | 865,375 | - | 3,813,825 | 4,715,095 |
| - | 1,261,618 | 7,640,495 | 1,979,953 | 28,539,134 | - | 46,640,281 |
| - | - | - | 1,813 | 628,187 | - | 15,613,771 |
| 43,989 | - | 23,802 | 78,453 | 1,761 | - | 1,336,027 |
| <u>13,553,982</u> | <u>1,261,618</u> | <u>7,664,297</u> | <u>2,925,594</u> | <u>29,169,082</u> | <u>3,813,825</u> | <u>228,158,940</u> |
| 542,532 | 956,779 | 4,722,768 | 1,475,196 | 13,026,262 | 1,962,168 | 29,857,081 |
| 1,951,936 | 170,230 | 2,149,535 | 568,746 | 12,028,209 | 1,006,847 | 33,042,319 |
| 20,559,020 | - | - | - | - | - | 148,989,482 |
| - | - | - | 856,996 | - | 988,660 | 2,220,030 |
| 2,087 | 4,805 | 14,860 | 15,644 | 3,585,041 | 290,041 | 5,690,801 |
| 4,965,637 | - | - | - | - | - | 38,926,256 |
| <u>28,021,212</u> | <u>1,131,814</u> | <u>6,887,163</u> | <u>2,916,582</u> | <u>28,639,512</u> | <u>4,247,716</u> | <u>258,725,969</u> |
| <u>(14,467,230)</u> | <u>129,804</u> | <u>777,134</u> | <u>9,012</u> | <u>529,570</u> | <u>(433,891)</u> | <u>(30,567,029)</u> |
| - | - | - | 204 | - | - | 747,192 |
| - | - | - | (11,685) | (78,141) | (20,897) | (288,548) |
| - | - | - | - | (11,711) | - | (54,532) |
| - | - | - | (11,481) | (89,852) | (20,897) | 404,112 |
| <u>(14,467,230)</u> | <u>129,804</u> | <u>777,134</u> | <u>(2,469)</u> | <u>439,718</u> | <u>(454,788)</u> | <u>(30,162,917)</u> |
| - | - | - | 35,161 | - | 140,151 | 272,387 |
| <u>(255,131)</u> | <u>-</u> | <u>(466,667)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,484,306)</u> |
| <u>(14,722,361)</u> | <u>129,804</u> | <u>310,467</u> | <u>32,692</u> | <u>439,718</u> | <u>(314,637)</u> | <u>(31,374,836)</u> |
| <u>(17,813,886)</u> | <u>39,317</u> | <u>1,094,280</u> | <u>353,177</u> | <u>13,319,394</u> | <u>1,132,539</u> | <u>6,384,254</u> |
| <u>\$ (32,536,247)</u> | <u>\$ 169,121</u> | <u>\$ 1,404,747</u> | <u>\$ 385,869</u> | <u>\$ 13,759,112</u> | <u>\$ 817,902</u> | <u>\$ (24,990,582)</u> |

Combining Statement of Cash Flows Internal Service Funds

For the Fiscal Year Ended June 30, 2002

| | Self- Insurance | Buildings and Grounds | Motor Pool | Communications |
|---|--------------------|--------------------------|---------------|----------------|
| Cash flows from operating activities | | | | |
| Receipts from customers and users | \$ 2,843,829 | \$ 743,747 | \$ 52,599 | \$ 817,852 |
| Receipts for interfund services provided | 108,818,444 | 12,421,512 | 3,266,562 | 5,750,065 |
| Receipts from component units | 37,835,159 | - | 85,470 | - |
| Payments to suppliers, other governments and beneficiaries | (153,993,873) | (7,384,371) | (994,879) | (5,123,809) |
| Payments to employees | (1,228,046) | (4,118,283) | (657,867) | (818,795) |
| Payments for interfund services used | (491,362) | (680,543) | (547,468) | (397,393) |
| Payments to component units | - | (362) | - | - |
| Net cash provided by (used for) operating activities | (6,215,849) | 981,700 | 1,204,417 | 227,920 |
| Cash flows from noncapital financing activities | | | | |
| Transfers from other funds | 12,193 | 78,515 | 1,744,122 | - |
| Transfers to other funds | - | (50,387) | (14,021) | (16,494) |
| Other noncapital financing activities | - | - | (50) | - |
| Net cash provided by (used for) noncapital financing activities | 12,193 | 28,128 | 1,730,051 | (16,494) |
| Cash flows from capital and related financing activities | | | | |
| Proceeds from sale of capital assets | - | - | 86,995 | - |
| Purchase of capital assets | - | (71,763) | (2,039,405) | (57,815) |
| Principal paid on capital debt | - | (97,421) | (51,200) | (82,562) |
| Interest paid on capital debt | - | - | - | (15,900) |
| Construction | - | - | - | - |
| Net cash provided by (used for) capital and related financing activities | - | (169,184) | (2,003,610) | (156,277) |
| Cash flows from investing activities | | | | |
| Interest/dividends on investments | 701,533 | - | - | - |
| Net cash provided by (used for) investing activities | 701,533 | - | - | - |
| Net increase (decrease) in cash | (5,502,123) | 840,644 | 930,858 | 55,149 |
| Cash and cash equivalents, July 1 | 17,846,552 | 946,119 | 393,347 | 80,119 |
| Cash and cash equivalents, June 30 | \$ 12,344,429 | \$ 1,786,763 | \$ 1,324,205 | \$ 135,268 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities | | | | |
| Operating income (loss) | \$ (16,857,161) | \$ 295,110 | \$ (378,951) | \$ (170,426) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities | | | | |
| Depreciation | 66,010 | 68,749 | 1,556,819 | 86,745 |
| Decrease (increase) in receivables | 1,970,438 | 492,530 | 190,606 | 185,057 |
| Decrease (increase) in inventory and prepaid expenses | (1,720) | (625) | - | 136,000 |
| Increase (decrease) in accounts payable, accruals and other liabilities | 8,606,584 | 125,936 | (164,057) | (9,456) |
| Total adjustments | 10,641,312 | 686,590 | 1,583,368 | 398,346 |
| Net cash provided by (used for) operating activities | \$ (6,215,849) | \$ 981,700 | \$ 1,204,417 | \$ 227,920 |
| Noncash investing, capital and financing activities | | | | |
| Property leased, accrued or acquired | \$ - | \$ - | \$ - | \$ - |
| Construction completed or in progress | - | - | - | - |
| Interest/dividends on investments accrued | 67,520 | - | - | - |
| Change in fair value of investments | 83,272 | - | - | - |

| Insurance Premiums | Administrative Services | Personnel | Purchasing | Information Services | Printing | Total |
|-----------------------|----------------------------|--------------|--------------|-------------------------|--------------|-----------------|
| \$ 57,368 | \$ 72,958 | \$ - | \$ - | \$ 307,794 | \$ 18,040 | \$ 4,914,187 |
| 11,489,228 | 1,261,646 | 7,075,997 | 2,955,784 | 29,307,690 | 3,936,822 | 186,283,750 |
| 1,055,291 | - | 579,449 | 8,680 | 49,139 | 2,105 | 39,615,293 |
| (14,423,196) | (57,393) | (1,376,493) | (644,429) | (11,044,954) | (1,701,027) | (196,744,424) |
| (515,527) | (916,396) | (4,526,529) | (1,382,824) | (12,554,651) | (1,878,022) | (28,596,940) |
| (594,909) | (177,054) | (1,372,284) | (1,119,212) | (1,245,523) | (350,876) | (6,976,624) |
| (281,292) | - | (517) | (470) | (60,541) | - | (343,182) |
| (3,213,037) | 183,761 | 379,623 | (182,471) | 4,758,954 | 27,042 | (1,847,940) |
| - | - | - | 35,161 | - | - | 1,869,991 |
| (255,131) | - | (466,667) | - | - | (25,936) | (828,636) |
| - | - | - | - | - | - | (50) |
| (255,131) | - | (466,667) | 35,161 | - | (25,936) | 1,041,305 |
| - | - | - | - | - | - | 86,995 |
| - | - | - | (9,134) | (433,734) | (23,235) | (2,635,086) |
| - | - | - | (15,237) | (1,531,286) | - | (1,777,706) |
| - | - | - | (11,685) | (78,141) | (22,069) | (127,795) |
| - | - | - | - | (274,378) | - | (274,378) |
| - | - | - | (36,056) | (2,317,539) | (45,304) | (4,727,970) |
| - | - | - | 204 | - | - | 701,737 |
| - | - | - | 204 | - | - | 701,737 |
| (3,468,168) | 183,761 | (87,044) | (183,162) | 2,441,415 | (44,198) | (4,832,868) |
| 9,601,897 | 93,320 | 2,420,474 | 529,562 | 4,525,004 | 298,709 | 36,735,103 |
| \$ 6,133,729 | \$ 277,081 | \$ 2,333,430 | \$ 346,400 | \$ 6,966,419 | \$ 254,511 | \$ 31,902,235 |
| \$ (14,467,230) | \$ 129,804 | \$ 777,134 | \$ 9,012 | \$ 529,570 | \$ (433,891) | \$ (30,567,029) |
| 2,087 | 4,805 | 14,860 | 15,644 | 3,585,041 | 290,041 | 5,690,801 |
| (947,096) | 72,986 | (8,851) | 38,869 | 495,541 | 143,142 | 2,633,222 |
| (598,522) | - | (1,458) | (44,385) | (241,801) | (33,884) | (786,395) |
| 12,797,724 | (23,834) | (402,062) | (201,611) | 390,603 | 61,634 | 21,181,461 |
| 11,254,193 | 53,957 | (397,511) | (191,483) | 4,229,384 | 460,933 | 28,719,089 |
| \$ (3,213,037) | \$ 183,761 | \$ 379,623 | \$ (182,471) | \$ 4,758,954 | \$ 27,042 | \$ (1,847,940) |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 291,802 | \$ 291,802 |
| - | - | - | - | 532,726 | 140,151 | 672,877 |
| - | - | - | - | - | - | 67,520 |
| - | - | - | - | - | - | 83,272 |



Fiduciary Funds



Pension Trust

Public Employees' Retirement Accounts for the operations of the Public Employees' Retirement System which provides income benefits to qualified public employees (NRS 286.220).

Legislators' Retirement Accounts for the operations of the Legislators' Retirement System (NRS 218.2375).

Judicial Retirement Accounts for the operations of the Judicial Retirement System which provides benefits for justices of the supreme court and district judges (NRS 1A.160).

Investment Trust

Local Government Investment Pool Accounts for investment funds received from local governments and pooled to obtain greater interest earnings (NRS 355.167).

Nevada Enhanced Savings Term Accounts for the establishment of one or more separate subaccounts for identified investments that are made for and allocated to specific participating local governments (NRS 355.165).

Private-purpose Trust

Higher Education Tuition Trust Accounts for the receipts and disbursements related to prepaid tuition contracts that allow the cost of tuition to be paid in advance of enrollment at an institution of higher education (NRS 353B.140).

Prisoners' Personal Property Accounts for personal property held in trust for prisoners pending their release (NRS 209.241).

Agency

Intergovernmental Accounts for taxes and fees, such as sales and use, cigarette and jet fuel taxes, collected by the Department of Taxation on behalf of local governments (NRS 353.254).

State Agency Fund for Bonds Accounts for surety bonds and deposits held by the State (NRS 353.251).

Motor Vehicle Accounts for taxes and fees collected by the Department of Motor Vehicles pending distribution to counties (NRS 482.180).

Child Support Disbursement Accounts for the centralized collection and disbursement of child support payments in accordance with 42 U.S.C. Sec. 654b (NRS 425.363).

Child Welfare Trust Accounts for survivor benefits held in trust for children receiving welfare services (NRS 432.037).

Restitution Trust Accounts for money received from parolees making restitution (NRS 213.126).

Veterans Custodial Accounts for the estates of persons for whom the Nevada Commissioner for Veteran Affairs acts as guardian (NRS 417.113).

State Payroll Accounts for payment of payroll and payroll deductions such as income tax withholding, insurance deductions, credit union deductions, etc. (NRS 227.130).

Combining Statement of Fiduciary Net Assets

Pension Trust, Investment Trust and Private-Purpose Trust Funds

June 30, 2002

| Pension Trust Funds | | | | |
|--|---------------------------------|----------------------------|------------------------|--------------------------|
| | Public Employees' Retirement | Legislators' Retirement | Judicial Retirement | Total |
| Assets | | | | |
| <i>Cash and pooled investments:</i> | | | | |
| Cash with treasurer | \$ - | \$ - | \$ - | \$ - |
| Cash in custody of other officials | 359,692,666 | 52,509 | 43,756 | 359,788,931 |
| <i>Investments:</i> | | | | |
| Investments | - | - | - | - |
| Fixed income securities | 5,006,995,300 | 2,091,705 | 2,682,283 | 5,011,769,288 |
| Marketable equity securities | 4,155,258,627 | 1,617,468 | 2,140,754 | 4,159,016,849 |
| International securities | 2,385,727,480 | - | - | 2,385,727,480 |
| Mutual funds | 507,866,631 | - | - | 507,866,631 |
| Mortgage loans | 3,540,771 | - | - | 3,540,771 |
| Real estate | 1,177,947,422 | - | - | 1,177,947,422 |
| Alternative investments | 133,574,912 | - | - | 133,574,912 |
| Collateral on loaned securities | 1,436,110,145 | - | - | 1,436,110,145 |
| <i>Receivables:</i> | | | | |
| Accounts receivable | - | - | - | - |
| Accrued interest and dividends | 83,872,922 | 26,503 | 29,580 | 83,929,005 |
| Trades pending settlement | - | 3,973 | 9,066 | 13,039 |
| Intergovernmental receivables | 46,182,714 | - | - | 46,182,714 |
| Other receivables | - | 15 | - | 15 |
| Due from other funds | - | - | - | - |
| Due from fiduciary funds | 9,108,216 | - | - | 9,108,216 |
| Other assets | 557,183 | - | - | 557,183 |
| Furniture and equipment | 22,096,474 | - | - | 22,096,474 |
| Accumulated depreciation | (10,517,061) | - | - | (10,517,061) |
| Total assets | 15,318,014,402 | 3,792,173 | 4,905,439 | 15,326,712,014 |
| Liabilities | | | | |
| <i>Accounts payable and accruals:</i> | | | | |
| Accounts payable | 10,886,816 | 895 | 3,500 | 10,891,211 |
| Accrued payroll and related liabilities | - | - | - | - |
| Intergovernmental payables | - | - | - | - |
| Trades pending settlement | 661,582,097 | 20,843 | 16,240 | 661,619,180 |
| Obligations under securities lending | 1,436,110,145 | - | - | 1,436,110,145 |
| Due to other funds | 31,868 | - | - | 31,868 |
| Due to fiduciary funds | - | - | - | - |
| Advances from general fund | - | - | - | - |
| Deferred revenues | - | - | - | - |
| Other liabilities | - | 44,588 | - | 44,588 |
| Total liabilities | 2,108,610,926 | 66,326 | 19,740 | 2,108,696,992 |
| Net Assets | | | | |
| <i>Held in trust for:</i> | | | | |
| Employees' pension benefits | 13,209,403,476 | 3,725,847 | 4,885,699 | 13,218,015,022 |
| Individuals, organizations and other governments | - | - | - | - |
| Total net assets | \$ 13,209,403,476 | \$ 3,725,847 | \$ 4,885,699 | \$ 13,218,015,022 |

| Investment Trust Funds | | | Private-Purpose Trust Funds | | |
|----------------------------------|------------------------------|----------------|--------------------------------|------------------------------|---------------|
| Local Government Investment Pool | Nevada Enhanced Savings Term | Total | Higher Education Tuition Trust | Prisoners' Personal Property | Total |
| \$ 264 | \$ - | \$ 264 | \$ 447,760 | \$ 2,800,880 | \$ 3,248,640 |
| - | - | - | - | 164,889 | 164,889 |
| 499,899,498 | 23,776,613 | 523,676,111 | 35,390,571 | - | 35,390,571 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 79,881,522 | - | 79,881,522 | 257,742 | - | 257,742 |
| - | - | - | 38,881 | 3,775 | 42,656 |
| 2,765,993 | 138,591 | 2,904,584 | 180,999 | - | 180,999 |
| - | - | - | - | - | - |
| - | - | - | - | 846 | 846 |
| - | - | - | - | - | - |
| 175 | - | 175 | 17,930 | 344,091 | 362,021 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 582,547,452 | 23,915,204 | 606,462,656 | 36,333,883 | 3,314,481 | 39,648,364 |
| - | - | - | 17,680 | - | 17,680 |
| - | - | - | 12,215 | - | 12,215 |
| 805,438 | - | 805,438 | - | 9,036 | 9,036 |
| - | - | - | - | - | - |
| 79,881,522 | - | 79,881,522 | 257,742 | - | 257,742 |
| 3,235 | - | 3,235 | 42,702 | 481,070 | 523,772 |
| - | - | - | - | 21,787 | 21,787 |
| - | - | - | 2,986,187 | - | 2,986,187 |
| - | - | - | - | 4,280 | 4,280 |
| - | - | - | - | - | - |
| 80,690,195 | - | 80,690,195 | 3,316,526 | 516,173 | 3,832,699 |
| - | - | - | - | - | - |
| 501,857,257 | 23,915,204 | 525,772,461 | 33,017,357 | 2,798,308 | 35,815,665 |
| \$ 501,857,257 | \$ 23,915,204 | \$ 525,772,461 | \$ 33,017,357 | \$ 2,798,308 | \$ 35,815,665 |

Combining Statement of Changes in Fiduciary Net Assets Pension Trust, Investment Trust and Private-Purpose Trust Funds

For the Fiscal Year Ended June 30, 2002

| | Pension Trust Funds | | | |
|--|---------------------------------|----------------------------|------------------------|--------------------------|
| | Public Employees' Retirement | Legislators' Retirement | Judicial Retirement | Total |
| Additions | | | | |
| <i>Contributions:</i> | | | | |
| Employer | \$ 680,730,753 | \$ 172,816 | \$ 5,000,000 | \$ 685,903,569 |
| Plan members | 53,922,159 | 36,085 | - | 53,958,244 |
| Participants | - | - | - | - |
| Repayment and purchase of service | 24,702,680 | - | - | 24,702,680 |
| Total contributions | 759,355,592 | 208,901 | 5,000,000 | 764,564,493 |
| <i>Investment income:</i> | | | | |
| Net increase (decrease) in fair value of investments | (840,939,305) | (251,761) | (291,505) | (841,482,571) |
| Interest, dividends | 396,643,044 | 153,225 | 180,704 | 396,976,973 |
| Securities lending income | 49,687,972 | - | - | 49,687,972 |
| Other | 93,129,707 | - | - | 93,129,707 |
| | (301,478,582) | (98,536) | (110,801) | (301,687,919) |
| Less Investment expense: | | | | |
| Cost of securities lending | (43,280,076) | - | - | (43,280,076) |
| Other | (23,097,677) | (3,061) | (3,500) | (23,104,238) |
| Net investment income | (367,856,335) | (101,597) | (114,301) | (368,072,233) |
| <i>Other:</i> | | | | |
| Investment from local governments | - | - | - | - |
| Reinvestment from interest income | - | - | - | - |
| Sales and charges for services | - | - | - | - |
| Other | 2,104,359 | 20,330 | - | 2,124,689 |
| Total other | 2,104,359 | 20,330 | - | 2,124,689 |
| Total additions | 393,603,616 | 127,634 | 4,885,699 | 398,616,949 |
| Deductions | | | | |
| Principal redeemed | - | - | - | - |
| Benefit payments | 533,012,667 | 378,699 | - | 533,391,366 |
| Refunds | 15,826,195 | 9,126 | - | 15,835,321 |
| Dividends to investors | - | - | - | - |
| Administrative expense | 8,697,923 | 17,516 | - | 8,715,439 |
| Transfer out | - | - | - | - |
| Total deductions | 557,536,785 | 405,341 | - | 557,942,126 |
| Change in net assets | (163,933,169) | (277,707) | 4,885,699 | (159,325,177) |
| Net assets, July 1 | 13,373,336,645 | 4,003,554 | - | 13,377,340,199 |
| Net assets, June 30 | \$ 13,209,403,476 | \$ 3,725,847 | \$ 4,885,699 | \$ 13,218,015,022 |

| Investment Trust Funds | | | Private-Purpose Trust Funds | | |
|-------------------------------------|---------------------------------|----------------|-----------------------------------|---------------------------------|---------------|
| Local Government Investment Pool | Nevada Enhanced Savings Term | Total | Higher Education Tuition Trust | Prisoners' Personal Property | Total |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | 11,488,454 | 11,936,214 | 23,424,668 |
| - | - | - | - | - | - |
| - | - | - | 11,488,454 | 11,936,214 | 23,424,668 |
| 944,919 | 440,816 | 1,385,735 | (2,694,872) | - | (2,694,872) |
| 14,326,444 | 339,461 | 14,665,905 | 1,407,932 | 164 | 1,408,096 |
| 980,589 | - | 980,589 | - | - | - |
| - | - | - | - | - | - |
| 16,251,952 | 780,277 | 17,032,229 | (1,286,940) | 164 | (1,286,776) |
| (980,589) | - | (980,589) | (9,095) | - | (9,095) |
| (85,419) | (18,212) | (103,631) | - | - | - |
| 15,185,944 | 762,065 | 15,948,009 | (1,296,035) | 164 | (1,295,871) |
| 947,797,895 | 23,153,139 | 970,951,034 | - | - | - |
| 12,982,714 | - | 12,982,714 | - | - | - |
| - | - | - | 24,653 | - | 24,653 |
| - | - | - | 105,534 | - | 105,534 |
| 960,780,609 | 23,153,139 | 983,933,748 | 130,187 | - | 130,187 |
| 975,966,553 | 23,915,204 | 999,881,757 | 10,322,606 | 11,936,378 | 22,258,984 |
| 995,614,625 | - | 995,614,625 | - | - | - |
| - | - | - | 1,834 | 12,026,464 | 12,028,298 |
| - | - | - | 488,457 | - | 488,457 |
| 14,242,846 | - | 14,242,846 | - | - | - |
| - | - | - | 1,014,245 | - | 1,014,245 |
| - | - | - | - | 14,222 | 14,222 |
| 1,009,857,471 | - | 1,009,857,471 | 1,504,536 | 12,040,686 | 13,545,222 |
| (33,890,918) | 23,915,204 | (9,975,714) | 8,818,070 | (104,308) | 8,713,762 |
| 535,748,175 | - | 535,748,175 | 24,199,287 | 2,902,616 | 27,101,903 |
| \$ 501,857,257 | \$ 23,915,204 | \$ 525,772,461 | \$ 33,017,357 | \$ 2,798,308 | \$ 35,815,665 |

Combining Statement of Fiduciary Assets and Liabilities Agency Funds

June 30, 2002

| | <u>Intergovernmental</u> | <u>State Agency Fund for Bonds</u> | <u>Motor Vehicle</u> | <u>Child Support Disbursement Fund</u> |
|---|--------------------------|--|----------------------|--|
| Assets | | | | |
| <i>Cash and pooled investments:</i> | | | | |
| Cash with treasurer | \$ 9,227,561 | \$ 26,462,025 | \$ 17,582,472 | \$ - |
| Cash in custody of other officials | - | 63,481,588 | 2,425,440 | 2,111,270 |
| Investments | - | 97,290,669 | - | - |
| Collateral on loaned securities | 1,179,672 | - | - | - |
| <i>Receivables:</i> | | | | |
| Taxes receivable | 6,189,044 | - | - | - |
| Intergovernmental receivables | 6,505,302 | - | - | - |
| Other receivables | - | - | 31,732,444 | - |
| Due from other funds | 271,631,417 | 2,339,301 | 2,168,344 | 358 |
| Due from fiduciary funds | 9,591,628 | - | - | - |
| Total assets | <u>\$ 304,324,624</u> | <u>\$ 189,573,583</u> | <u>\$ 53,908,700</u> | <u>\$ 2,111,628</u> |
| Liabilities | | | | |
| <i>Accounts payable and accruals:</i> | | | | |
| Accrued payroll and related liabilities | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental payables | 303,144,952 | - | 39,961,600 | - |
| Obligations under securities lending | 1,179,672 | - | - | - |
| Due to fiduciary funds | - | - | 9,591,628 | - |
| <i>Other liabilities:</i> | | | | |
| Deposits | - | 189,537,111 | 3,748,204 | - |
| Other liabilities | - | 36,472 | 607,268 | 2,111,628 |
| Total liabilities | <u>\$ 304,324,624</u> | <u>\$ 189,573,583</u> | <u>\$ 53,908,700</u> | <u>\$ 2,111,628</u> |

| <u>Child Welfare Trust</u> | <u>Restitution Trust</u> | <u>Veterans Custodial</u> | <u>State Payroll</u> | <u>Total</u> |
|----------------------------|--------------------------|---------------------------|----------------------|-----------------------|
| \$ 1,153,889 | \$ 2,925,987 | \$ 1,753,262 | \$ 8,687,812 | \$ 67,793,008 |
| - | - | - | - | 68,018,298 |
| - | - | - | - | 97,290,669 |
| 612,658 | - | 932,066 | - | 2,724,396 |
| - | - | - | - | 6,189,044 |
| - | - | - | - | 6,505,302 |
| 12,119 | - | - | 1,149 | 31,745,712 |
| 13,614 | 4,326 | 13,454 | 623,568 | 276,794,382 |
| - | 21,429 | - | - | 9,613,057 |
| <u>\$ 1,792,280</u> | <u>\$ 2,951,742</u> | <u>\$ 2,698,782</u> | <u>\$ 9,312,529</u> | <u>\$ 566,673,868</u> |

| | | | | |
|---------------------|---------------------|---------------------|---------------------|-----------------------|
| \$ - | \$ - | \$ - | \$ 130,633 | \$ 130,633 |
| 4,078 | - | - | - | 343,110,630 |
| 612,658 | - | 932,066 | - | 2,724,396 |
| - | - | - | 9,108,216 | 18,699,844 |
| - | - | - | - | 193,285,315 |
| 1,175,544 | 2,951,742 | 1,766,716 | 73,680 | 8,723,050 |
| <u>\$ 1,792,280</u> | <u>\$ 2,951,742</u> | <u>\$ 2,698,782</u> | <u>\$ 9,312,529</u> | <u>\$ 566,673,868</u> |

Combining Statement of Changes in Assets and Liabilities Agency Funds

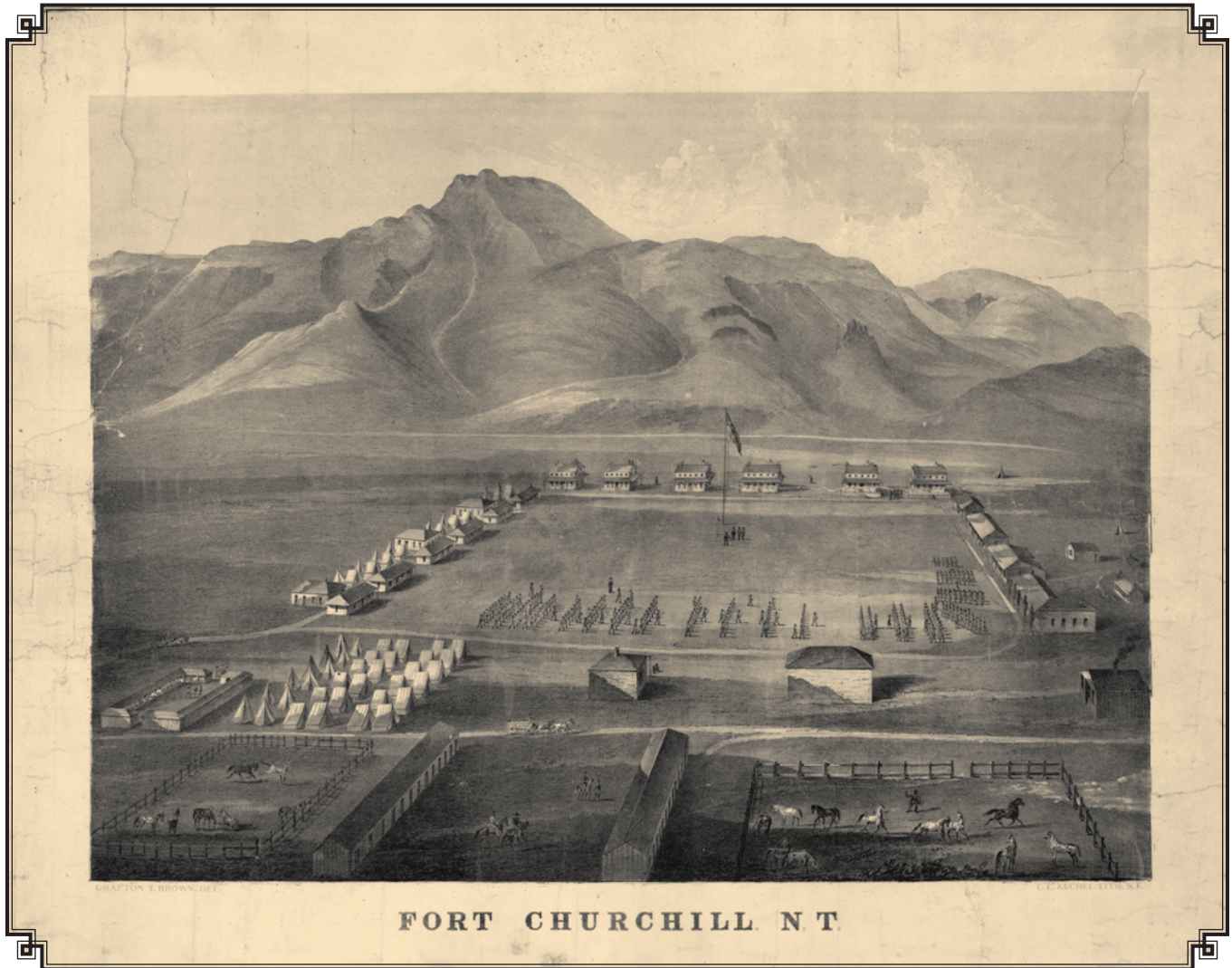
For the Fiscal Year Ended June 30, 2002

| | Balance July 1, 2001 (Restated) | Additions | Deletions | Balance June 30, 2002 |
|--------------------------------------|---------------------------------------|-------------------------|-------------------------|--------------------------|
| Intergovernmental | | | | |
| Assets | | | | |
| Cash with treasurer | \$ 11,508,341 | \$ 1,862,752,032 | \$ 1,865,032,812 | \$ 9,227,561 |
| Collateral on loaned securities | 1,262,521 | 1,179,672 | 1,262,521 | 1,179,672 |
| Taxes receivable | 5,702,283 | 6,280,634 | 5,793,873 | 6,189,044 |
| Intergovernmental receivables | 5,492,685 | 6,755,302 | 5,742,685 | 6,505,302 |
| Due from other funds | 275,206,456 | 271,631,417 | 275,206,456 | 271,631,417 |
| Due from fiduciary funds | 8,806,535 | 9,591,628 | 8,806,535 | 9,591,628 |
| Total assets | \$ 307,978,821 | \$ 2,158,190,685 | \$ 2,161,844,882 | \$ 304,324,624 |
| Liabilities | | | | |
| Intergovernmental payables | \$ 306,636,622 | \$ 1,903,541,251 | \$ 1,907,032,921 | \$ 303,144,952 |
| Obligations under securities lending | 1,262,521 | 1,179,672 | 1,262,521 | 1,179,672 |
| Due to fiduciary funds | 79,678 | - | 79,678 | - |
| Total liabilities | \$ 307,978,821 | \$ 1,904,720,923 | \$ 1,908,375,120 | \$ 304,324,624 |
| State Agency Fund for Bonds | | | | |
| Assets | | | | |
| Cash with treasurer | \$ 24,498,054 | \$ 5,607,979 | \$ 3,644,008 | \$ 26,462,025 |
| Cash in custody of other officials | 49,460,397 | 18,603,932 | 4,582,741 | 63,481,588 |
| Investments | 88,722,753 | 19,762,468 | 11,194,552 | 97,290,669 |
| Due from other funds | 784,298 | 2,339,301 | 784,298 | 2,339,301 |
| Total assets | \$ 163,465,502 | \$ 46,313,680 | \$ 20,205,599 | \$ 189,573,583 |
| Liabilities | | | | |
| Deposits | \$ 163,432,250 | \$ 48,257,234 | \$ 22,152,373 | \$ 189,537,111 |
| Other liabilities | 33,252 | 4,679 | 1,459 | 36,472 |
| Total liabilities | \$ 163,465,502 | \$ 48,261,913 | \$ 22,153,832 | \$ 189,573,583 |
| Motor Vehicle | | | | |
| Assets | | | | |
| Cash with treasurer | \$ 8,098,475 | \$ 646,128,464 | \$ 636,644,467 | \$ 17,582,472 |
| Cash in custody of other officials | 2,226,090 | 248,000 | 48,650 | 2,425,440 |
| Other receivables | 20,103,973 | 69,995,522 | 58,367,051 | 31,732,444 |
| Due from other funds | 3,024,175 | 2,168,344 | 3,024,175 | 2,168,344 |
| Due from fiduciary funds | 79,678 | - | 79,678 | - |
| Total assets | \$ 33,532,391 | \$ 718,540,330 | \$ 698,164,021 | \$ 53,908,700 |
| Liabilities | | | | |
| Intergovernmental payables | \$ 21,402,118 | \$ 843,062,988 | \$ 824,503,506 | \$ 39,961,600 |
| Due to fiduciary funds | 8,806,535 | 9,591,628 | 8,806,535 | 9,591,628 |
| Deposits | 3,271,370 | 623,271 | 146,437 | 3,748,204 |
| Other liabilities | 52,368 | 2,014,341 | 1,459,441 | 607,268 |
| Total liabilities | \$ 33,532,391 | \$ 855,292,228 | \$ 834,915,919 | \$ 53,908,700 |
| Child Support Disbursement | | | | |
| Assets | | | | |
| Cash in custody of other officials | \$ 1,297,972 | \$ 121,671,725 | \$ 120,858,427 | \$ 2,111,270 |
| Other receivables | 78,704 | - | 78,704 | - |
| Due from other funds | 974,365 | 358 | 974,365 | 358 |
| Total assets | \$ 2,351,041 | \$ 121,672,083 | \$ 121,911,496 | \$ 2,111,628 |
| Liabilities | | | | |
| Other liabilities | \$ 2,351,041 | \$ 120,841,040 | \$ 121,080,453 | \$ 2,111,628 |
| Total liabilities | \$ 2,351,041 | \$ 120,841,040 | \$ 121,080,453 | \$ 2,111,628 |
| Child Welfare Trust | | | | |
| Assets | | | | |
| Cash with treasurer | \$ 824,682 | \$ 1,217,284 | \$ 888,077 | \$ 1,153,889 |
| Collateral on loaned securities | 289,943 | 612,658 | 289,943 | 612,658 |
| Other receivables | 36,513 | 12,119 | 36,513 | 12,119 |
| Due from other funds | 15,951 | 13,614 | 15,951 | 13,614 |
| Total assets | \$ 1,167,089 | \$ 1,855,675 | \$ 1,230,484 | \$ 1,792,280 |
| Liabilities | | | | |
| Intergovernmental payables | \$ 4,990 | - | \$ 912 | \$ 4,078 |
| Obligations under securities lending | 289,943 | 612,658 | 289,943 | 612,658 |
| Other liabilities | 872,156 | 1,190,553 | 887,165 | 1,175,544 |
| Total liabilities | \$ 1,167,089 | \$ 1,803,211 | \$ 1,178,020 | \$ 1,792,280 |

| | Balance July 1, 2001 (Restated) | Additions | Deletions | Balance June 30, 2002 |
|---|---------------------------------------|-------------------------|-------------------------|--------------------------|
| Restitution Trust | | | | |
| Assets | | | | |
| Cash with treasurer | \$ 2,990,389 | \$ 3,836,237 | \$ 3,900,639 | \$ 2,925,987 |
| Due from other funds | 1,024 | 4,326 | 1,024 | 4,326 |
| Due from fiduciary funds | 5,992 | 21,429 | 5,992 | 21,429 |
| Total assets | \$ 2,997,405 | \$ 3,861,992 | \$ 3,907,655 | \$ 2,951,742 |
| Liabilities | | | | |
| Other liabilities | \$ 2,997,405 | \$ 3,779,460 | \$ 3,825,123 | \$ 2,951,742 |
| Total liabilities | \$ 2,997,405 | \$ 3,779,460 | \$ 3,825,123 | \$ 2,951,742 |
| Veterans Custodial | | | | |
| Assets | | | | |
| Cash with treasurer | \$ 1,886,060 | \$ 1,054,655 | \$ 1,187,453 | \$ 1,753,262 |
| Collateral on loaned securities | 644,974 | 932,066 | 644,974 | 932,066 |
| Due from other funds | 24,373 | 13,454 | 24,373 | 13,454 |
| Total assets | \$ 2,555,407 | \$ 2,000,175 | \$ 1,856,800 | \$ 2,698,782 |
| Liabilities | | | | |
| Obligations under securities lending | \$ 644,974 | \$ 932,066 | \$ 644,974 | \$ 932,066 |
| Other liabilities | 1,910,433 | 1,045,162 | 1,188,879 | 1,766,716 |
| Total liabilities | \$ 2,555,407 | \$ 1,977,228 | \$ 1,833,853 | \$ 2,698,782 |
| State Payroll | | | | |
| Assets | | | | |
| Cash with treasurer | \$ 8,376,032 | \$ 345,436,040 | \$ 345,124,260 | \$ 8,687,812 |
| Other receivables | 1,752 | 56,656 | 57,259 | 1,149 |
| Due from other funds | 84,669 | 625,975 | 87,076 | 623,568 |
| Total assets | \$ 8,462,453 | \$ 346,118,671 | \$ 345,268,595 | \$ 9,312,529 |
| Liabilities | | | | |
| Accrued payroll and related liabilities | \$ 54,271 | \$ 213,589,838 | \$ 213,513,476 | \$ 130,633 |
| Due to fiduciary funds | 8,333,629 | 132,288,374 | 131,513,787 | 9,108,216 |
| Other liabilities | 74,553 | - | 873 | 73,680 |
| Total liabilities | \$ 8,462,453 | \$ 345,878,212 | \$ 345,028,136 | \$ 9,312,529 |
| Totals - All Agency Funds | | | | |
| Assets | | | | |
| Cash with treasurer | \$ 58,182,033 | \$ 2,866,032,691 | \$ 2,856,421,716 | \$ 67,793,008 |
| Cash in custody of other officials | 52,984,459 | 140,523,657 | 125,489,818 | 68,018,298 |
| Investments | 88,722,753 | 19,762,468 | 11,194,552 | 97,290,669 |
| Collateral on loaned securities | 2,197,438 | 2,724,396 | 2,197,438 | 2,724,396 |
| Taxes receivable | 5,702,283 | 6,280,634 | 5,793,873 | 6,189,044 |
| Intergovernmental receivables | 5,492,685 | 6,755,302 | 5,742,685 | 6,505,302 |
| Other receivables | 20,220,942 | 70,064,297 | 58,539,527 | 31,745,712 |
| Due from other funds | 280,115,311 | 276,796,789 | 280,117,718 | 276,794,382 |
| Due from fiduciary funds | 8,892,205 | 9,613,057 | 8,892,205 | 9,613,057 |
| Total assets | \$ 522,510,109 | \$ 3,398,553,291 | \$ 3,354,389,532 | \$ 566,673,868 |
| Liabilities | | | | |
| Accrued payroll and related liabilities | \$ 54,271 | \$ 213,589,838 | \$ 213,513,476 | \$ 130,633 |
| Intergovernmental payables | 328,043,730 | 2,746,604,239 | 2,731,537,339 | 343,110,630 |
| Obligations under securities lending | 2,197,438 | 2,724,396 | 2,197,438 | 2,724,396 |
| Due to fiduciary funds | 17,219,842 | 141,880,002 | 140,400,000 | 18,699,844 |
| Deposits | 166,703,620 | 48,880,505 | 22,298,810 | 193,285,315 |
| Other liabilities | 8,291,208 | 128,875,235 | 128,443,393 | 8,723,050 |
| Total liabilities | \$ 522,510,109 | \$ 3,282,554,215 | \$ 3,238,390,456 | \$ 566,673,868 |

Budgetary Schedules

Budgetary schedules demonstrate compliance with the legally adopted budget (non-GAAP basis).



Fort Churchill N[evada] T[erritory] - Grafton T. Brown (1841-1918) created this lithograph in the 1860's while he was employed by C.C. Kuchel of San Francisco. There are no known contemporary photographs of Fort Churchill in existence today.

**Schedule of Total Uses - Budget and Actual, Non-GAAP Budgetary Basis
All General Fund Budgets**

| Department | Final Budget | Actual | Variance |
|---|---------------------|-------------------|-------------------|
| General Fund Unbudgeted Activity | \$ - | \$ 4,337,377 | \$ (4,337,377) |
| Constitutional Agencies | | | |
| Executive Branch | | | |
| Office Of The Governor | 2,739,940 | 2,130,664 | 609,276 |
| Mansion Maintenance | 276,387 | 254,180 | 22,207 |
| Office Of Consumer Health Asst | 1,005,259 | 626,072 | 379,187 |
| Nevada Protection Account | 11,250,000 | 5,071,863 | 6,178,137 |
| Clark City Flood Relief | 16,537,955 | 219,508 | 16,318,447 |
| Washington Office | 259,300 | 259,300 | - |
| Ethics Commission | 319,285 | 310,237 | 9,048 |
| Science, Engineering, Technology | 101,335 | 9,000 | 92,335 |
| High Level Nuclear Waste | 5,062,925 | 2,899,390 | 2,163,535 |
| Council On Holocaust Education | 75,000 | 30,515 | 44,485 |
| Lieutenant Governor | 456,686 | 444,282 | 12,404 |
| Extradition Coordinator | 743,794 | 742,577 | 1,217 |
| Attorney General Admin Account | 17,865,192 | 17,543,749 | 321,443 |
| Special Fund | 114,863 | 81,510 | 33,353 |
| AG Workers Compensation Fraud | 2,390,442 | 2,317,762 | 72,680 |
| Crime Prevention | 297,123 | 247,531 | 49,592 |
| Attorney General Medicaid Fraud | 2,395,191 | 1,349,270 | 1,045,921 |
| Council For Prosecuting Attorneys | 172,363 | 110,225 | 62,138 |
| Victims Of Domestic Violence | 2,400,630 | 1,642,224 | 758,406 |
| Insurance Fraud | 1,132,056 | 991,818 | 140,238 |
| Secretary Of State | 10,572,569 | 8,489,764 | 2,082,805 |
| Investigations & Enforcements | 330,197 | 162,104 | 168,093 |
| Special Services-Secretary Of State | 5,445,659 | 2,808,467 | 2,637,192 |
| State Treasurer | 1,819,458 | 1,490,844 | 328,614 |
| Silicosis & Disabled Pensions | 3,995,300 | 144,892 | 3,850,408 |
| Unclaimed Property | 619,544 | 619,246 | 298 |
| Controller General Account | 3,444,544 | 3,304,014 | 140,530 |
| Judicial Branch | | | |
| Admin Office Of The Courts | 1,361,902 | 1,032,179 | 329,723 |
| Div Of Planning & Analysis | 526,158 | 425,306 | 100,852 |
| Uniform System Of Judicial Rec | 1,451,868 | 1,106,041 | 345,827 |
| Judicial Education | 866,200 | 601,828 | 264,372 |
| District Judges Salary | 7,364,533 | 7,136,715 | 227,818 |
| District Judge/Surviving Spouse Pension | 1,071,159 | 1,070,899 | 260 |
| Justices/Surviving Spouses Pensions | 336,786 | 333,222 | 3,564 |
| District Judges Travel | 487,025 | 159,839 | 327,186 |
| Supreme Court | 8,558,017 | 8,031,277 | 526,740 |
| Supreme Court Rural Drug Court | 300,000 | 115,610 | 184,390 |
| Retired Justice Duty Fund | 327,089 | 184,061 | 143,028 |
| Judicial Selection | 4,838 | 4,698 | 140 |
| Law Library Gift Fund | 95,204 | 10,701 | 84,503 |
| Law Library | 1,264,883 | 1,257,564 | 7,319 |
| Judicial Discipline | 486,623 | 481,266 | 5,357 |
| | <u>116,325,282</u> | <u>76,252,214</u> | <u>40,073,068</u> |
| Finance & Administration | | | |
| Administration | | | |
| Construction Education Account | 177,000 | - | 177,000 |
| Deferred Compensation | 110,064 | 35,221 | 74,843 |
| Commission For Women | 1,504 | - | 1,504 |
| Special Appropriations | 13,415,890 | 7,094,263 | 6,321,627 |
| Information Technology Improvement | 19,126,366 | 6,231,255 | 12,895,111 |
| Budget And Planning | 2,643,256 | 2,459,293 | 183,963 |
| Division Of Internal Audit | 1,779,389 | 1,529,980 | 249,409 |
| Graffiti Reward Fund | 3,393 | - | 3,393 |
| Merit Award Board | 5,000 | - | 5,000 |
| Controlled Substance Grants | 37,709 | 14,485 | 23,224 |

| Department | Final Budget | Actual | Variance |
|--|---------------------|-------------------|-------------------|
| Clear Creek Youth Center | \$ 363,878 | \$ 278,850 | \$ 85,028 |
| Commodity Food Program | 5,498,735 | 4,151,481 | 1,347,254 |
| Roof Maintenance Reserve | 1,102,316 | 30,852 | 1,071,464 |
| Public Works Division | 843,315 | 825,865 | 17,450 |
| School Plan Checking | 160,334 | 117,800 | 42,534 |
| Hearings & Appeals | 3,702,850 | 3,498,597 | 204,253 |
| State Claims | 2,321,005 | 1,994,244 | 326,761 |
| Emergency Fund | 395,721 | 373,854 | 21,867 |
| Statutory Contingency | 2,547,021 | 1,977,369 | 569,652 |
| Retired Employee Group Insurance | 14,593,428 | 14,258,811 | 334,617 |
| Taxation | | | |
| Department Of Taxation | 17,863,591 | 15,113,596 | 2,749,995 |
| Senior Citizen Property Tax Rebate | 3,957,809 | 3,622,161 | 335,648 |
| Personnel | | | |
| Unemployment Compensation Fund | 1,720,025 | 923,970 | 796,055 |
| | <u>92,369,599</u> | <u>64,531,947</u> | <u>27,837,652</u> |
| Education | | | |
| Education | | | |
| Drug Abuse Education | 1,960,437 | 1,625,425 | 335,012 |
| Student Incentive Grants | 526,709 | 517,277 | 9,432 |
| Distributive School Account | 775,187,957 | 773,055,831 | 2,132,126 |
| School Health Education - Aids | 467,547 | 361,494 | 106,053 |
| Education State Programs | 2,539,332 | 2,483,639 | 55,693 |
| Occupational Education | 7,541,494 | 7,024,315 | 517,179 |
| School To Careers | 7,349,317 | 2,516,476 | 4,832,841 |
| Gear Up Scholarship Trust | 5,388,061 | - | 5,388,061 |
| Continuing Education | 3,353,815 | 3,249,529 | 104,286 |
| Proficiency Testing | 5,658,802 | 3,756,591 | 1,902,211 |
| Other State Education Programs | 31,716,192 | 16,275,609 | 15,440,583 |
| Education Technology Trust | 25,311 | - | 25,311 |
| Teacher Education & Licensing | 1,061,035 | 902,522 | 158,513 |
| Discretionary Grants | 16,172,294 | 13,391,392 | 2,780,902 |
| Discretionary Grants - Restricted | 34,902,470 | 5,546,201 | 29,356,269 |
| IASA-Title I Grants | 37,739,438 | 30,378,232 | 7,361,206 |
| IASA-Title II & Title VI Grant | 4,932,479 | 3,776,014 | 1,156,465 |
| Education For Handicapped Act | 42,048,966 | 33,468,492 | 8,580,474 |
| NDE Staffing Services | 521,710 | 416,097 | 105,613 |
| Education Support Services | 1,940,773 | 1,681,483 | 259,290 |
| Child Nutrition | 47,973,677 | 45,523,096 | 2,450,581 |
| Commission On Postsecondary Education | 334,286 | 328,695 | 5,591 |
| Student Indemnification Account | 367,495 | 1,415 | 366,080 |
| Museums, Library & Arts | | | |
| Museums, Library & Arts Administration | 864,988 | 663,836 | 201,152 |
| Lost City Museum | 352,591 | 323,533 | 29,058 |
| Nevada Historical Society | 673,224 | 630,904 | 42,320 |
| State Museum, Carson City | 1,601,965 | 1,513,751 | 88,214 |
| Museums And History | 303,842 | 274,610 | 29,232 |
| State Museum, Las Vegas | 947,123 | 932,513 | 14,610 |
| State Railroad Museums | 1,982,494 | 1,851,208 | 131,286 |
| Archives | 647,593 | 559,327 | 88,266 |
| Records Management/Micrographics | 1,121,649 | 890,350 | 231,299 |
| Nevada State Library | 5,962,594 | 5,341,685 | 620,909 |
| Nevada State Library-Literacy | 224,881 | 201,564 | 23,317 |
| Nevada State Library - CLAN | 702,030 | 360,041 | 341,989 |
| Nevada Council On The Arts | 2,097,304 | 1,900,783 | 196,521 |
| Cultural Resource Program | 2,633,916 | 1,642,746 | 991,170 |
| Historic Preservation | 1,353,698 | 1,002,300 | 351,398 |
| Comstock Historic District | 90,752 | 81,984 | 8,768 |
| Comstock Historical District Gifts | 52 | - | 52 |
| University & Community College System | | | |
| UNS - Special Projects | 19,639,355 | 19,022,275 | 617,080 |
| Education For Dependent Children | 32,971 | 7,970 | 25,001 |
| University Of Nevada - Reno | 118,135,060 | 117,931,498 | 203,562 |

**Schedule of Total Uses - Budget and Actual, Non-GAAP Budgetary Basis
All General Fund Budgets**

| Department | Final Budget | Actual | Variance |
|--------------------------------------|----------------------|----------------------|-------------------|
| School Of Medical Sciences | \$ 20,232,209 | \$ 20,232,209 | \$ - |
| Intercollegiate Athletics UNR | 2,374,519 | 2,373,715 | 804 |
| Statewide Programs - UNR | 5,719,524 | 5,719,524 | - |
| University System Administration | 3,231,173 | 3,230,177 | 996 |
| University Of Nevada Las Vegas | 144,014,128 | 143,809,512 | 204,616 |
| Intercollegiate Athletics University | 2,397,952 | 2,397,952 | - |
| Agricultural Experimental Station | 7,551,794 | 7,551,782 | 12 |
| Cooperative Extension Service | 7,626,337 | 7,570,400 | 55,937 |
| System Computing Center | 17,070,623 | 16,241,149 | 829,474 |
| UNLV Law School | 8,066,932 | 8,014,270 | 52,662 |
| National Direct Student Loan | 49,504 | 45,650 | 3,854 |
| University Press | 671,464 | 671,464 | - |
| Nevada State Nursing Loan Program | 95,819 | 95,819 | - |
| Statewide Programs - UNLV | 830,786 | 830,786 | - |
| UNLV Dental School | 1,439,843 | 1,439,843 | - |
| Business Center North | 1,872,785 | 1,872,758 | 27 |
| Business Center South | 1,564,957 | 1,564,957 | - |
| Collegiate License Plate Account | 150,000 | 124,816 | 25,184 |
| So Nevada Community College | 74,065,852 | 74,045,719 | 20,133 |
| Laboratory & Research | 1,997,183 | 1,994,874 | 2,309 |
| No Nevada Community College | 12,085,193 | 11,898,340 | 186,853 |
| Desert Research Institute | 5,426,355 | 5,396,089 | 30,266 |
| Western Nevada Community College | 16,359,708 | 16,299,337 | 60,371 |
| Truckee Meadows Community College | 31,729,437 | 31,436,454 | 292,983 |
| WICHE Administration | | | |
| WICHE Administration | 299,241 | 289,844 | 9,397 |
| | <u>1,556,000,997</u> | <u>1,466,560,143</u> | <u>89,440,854</u> |

Human Resources

Human Resources

| | | | |
|---------------------------------------|-------------|-------------|------------|
| Human Resources - Administration | 6,888,686 | 4,193,693 | 2,694,993 |
| Purchase Of Social Services | 13,295,367 | 12,882,122 | 413,245 |
| State And Community Collaboration | 3,038,251 | 2,689,599 | 348,652 |
| Family To Family Connections | 1,539,387 | 1,535,154 | 4,233 |
| Community Connections | 1,458,211 | 1,457,772 | 439 |
| Community Services Block Grant | 3,438,882 | 3,312,836 | 126,046 |
| Aging Services | | | |
| Senior Services Program | 9,853,350 | 8,680,228 | 1,173,122 |
| Aging Services | 12,099,160 | 10,553,174 | 1,545,986 |
| Homemaker | 2,824,706 | 2,646,801 | 177,905 |
| Health Care Financing Division | | | |
| Intergovernmental Transfer Program | 114,381,556 | 96,326,907 | 18,054,649 |
| Health Care Financing & Policy | 3,293,208 | 3,044,816 | 248,392 |
| Nevada Check-Up Program | 30,849,632 | 29,949,236 | 900,396 |
| Nevada Medicaid | 823,701,363 | 770,369,784 | 53,331,579 |
| Health | | | |
| Radiological Health | 1,067,096 | 921,165 | 145,931 |
| Cancer Control Registry | 1,812,814 | 1,040,504 | 772,310 |
| Alcoholism & Drug Rehabilitation | 16,289,569 | 14,761,636 | 1,527,933 |
| Vital Statistics | 907,680 | 868,663 | 39,017 |
| Consumer Protection | 3,107,489 | 2,969,154 | 138,335 |
| Special Children's Clinic | 6,515,354 | 6,244,598 | 270,756 |
| Health Aid To Counties | 1,461,937 | 1,461,937 | - |
| Immunization Program | 4,406,990 | 4,266,507 | 140,483 |
| WIC Food Supplement | 32,492,139 | 31,382,629 | 1,109,510 |
| Sexually Trans Disease Control | 11,416,120 | 10,741,488 | 674,632 |
| Health Facilities | 5,508,076 | 4,378,651 | 1,129,425 |
| Health Facilities-Admin Penalty | 167,763 | - | 167,763 |
| Health Alert Network | 3,630,900 | 1,035,714 | 2,595,186 |
| Family Planning Project | 969,775 | 745,231 | 224,544 |
| Communicable Disease Control | 4,734,760 | 3,500,576 | 1,234,184 |
| Maternal Child Health Services | 5,140,178 | 3,936,234 | 1,203,944 |
| Office Of State Health Administration | 3,695,778 | 3,321,689 | 374,089 |
| Community Health Services | 3,113,501 | 2,612,410 | 501,091 |

| Department | Final Budget | Actual | Variance |
|--|----------------------|----------------------|--------------------|
| Emergency Medical Services | \$ 725,171 | \$ 694,234 | \$ 30,937 |
| Tax On Liquor Program Account | 1,332,373 | 932,587 | 399,786 |
| Welfare | | | |
| Welfare Administration | 29,099,892 | 25,255,032 | 3,844,860 |
| Temp Assist For Needy Families | 83,679,629 | 59,392,583 | 24,287,046 |
| Assistance To Aged And Blind | 6,090,696 | 6,090,696 | - |
| Welfare Field Services | 41,145,473 | 39,601,202 | 1,544,271 |
| Child Support Enforcement Program | 7,302,488 | 6,242,897 | 1,059,591 |
| Collection And Distribution Ac | 21,716,239 | 19,308,781 | 2,407,458 |
| Child Care Assist & Developmnt | 50,396,857 | 43,339,857 | 7,057,000 |
| Energy Assistance - Welfare | 18,364,577 | 5,686,428 | 12,678,149 |
| Mental Hygiene/Mental Retardation | | | |
| Southern MH/MR Food Service | 1,221,402 | 1,115,566 | 105,836 |
| So NV Adult Mental Health Service | 43,576,348 | 42,419,046 | 1,157,302 |
| Nevada Mental Health Institute | 20,229,965 | 18,733,518 | 1,496,447 |
| Mental Health Information System | 787,122 | 540,381 | 246,741 |
| Family Preservation Program | 617,626 | 615,793 | 1,833 |
| Rural NV Mental Retardation Services | 5,157,357 | 4,963,432 | 193,925 |
| Mental Hygiene-Mental Retardation | 2,849,302 | 2,386,763 | 462,539 |
| Desert Regional Center | 35,845,190 | 34,910,627 | 934,563 |
| No Nevada Mental Retardation | 18,861,742 | 18,240,301 | 621,441 |
| Facility For Mental Offender | 5,230,412 | 4,969,047 | 261,365 |
| Rural Clinics | 8,194,825 | 7,827,035 | 367,790 |
| Child & Family Services | | | |
| Community Juvenile Justice Program | 3,943,480 | 3,036,800 | 906,680 |
| Child Welfare Integration | 8,814,661 | 1,752,265 | 7,062,396 |
| UNITY/SACWIS | 8,545,656 | 7,758,872 | 786,784 |
| Children, Youth & Family Administration | 28,183,203 | 25,662,685 | 2,520,518 |
| Youth Alternative Placement | 1,673,847 | 1,650,085 | 23,762 |
| Juvenile Correction Facility | 5,793,520 | 2,790,122 | 3,003,398 |
| Child Care Services | 1,562,096 | 1,357,997 | 204,099 |
| Caliente Youth Center | 4,820,600 | 4,660,857 | 159,743 |
| Victims Of Domestic Violence | 3,027,728 | 2,176,814 | 850,914 |
| Childrens Trust Account | 2,192,107 | 935,114 | 1,256,993 |
| Youth Community Services | 52,030,125 | 50,194,873 | 1,835,252 |
| Nevada Youth Training Center | 6,669,442 | 6,454,458 | 214,984 |
| Juvenile Accountability Block | 4,677,499 | 2,396,644 | 2,280,855 |
| Youth Corrections Services | 4,323,391 | 3,794,444 | 528,947 |
| Child Abuse & Neglect | 726,053 | 293,845 | 432,208 |
| Farm Account-Youth Training Center | 40,954 | 4,769 | 36,185 |
| No NV Child & Adolescent Services | 6,968,277 | 6,744,061 | 224,216 |
| So NV Child & Adolescent Services | 20,527,357 | 17,257,675 | 3,269,682 |
| Employment, Training & Rehabilitation | | | |
| Developmental Disabilities | 612,412 | 542,920 | 69,492 |
| Blind Business Enterprise | 2,202,012 | 878,013 | 1,323,999 |
| Services To The Blind | 4,552,044 | 3,492,753 | 1,059,291 |
| Client Assistance Program | 155,946 | 140,364 | 15,582 |
| Vocational Rehabilitation | 15,010,434 | 12,697,764 | 2,312,670 |
| Community Based Services | 12,378,133 | 5,473,566 | 6,904,567 |
| Rehabilitation Administration | 440,118 | 307,961 | 132,157 |
| Disability Adjudication | 8,331,853 | 7,399,888 | 931,965 |
| Welfare To Work | 4,100,344 | 1,754,424 | 2,345,920 |
| Office Of Equal Rights | 1,361,540 | 1,331,715 | 29,825 |
| DETR Admin Services | 3,649,060 | 3,362,134 | 286,926 |
| Research & Analysis | 4,192,061 | 2,627,931 | 1,564,130 |
| Information Development & Processing | 5,962,272 | 5,667,457 | 294,815 |
| Other Human Services | | | |
| Public Defender | 2,092,679 | 2,074,781 | 17,898 |
| Indian Commission | 131,741 | 116,870 | 14,871 |
| | <u>1,765,217,009</u> | <u>1,571,887,635</u> | <u>193,329,374</u> |
| Commerce & Industry | | | |
| Economic Development & Tourism | | | |
| Commission On Economic Development | 4,786,552 | 3,032,363 | 1,754,189 |

Schedule of Total Uses - Budget and Actual, Non-GAAP Budgetary Basis All General Fund Budgets

Page 5 of 8

| Department | Final Budget | Actual | Variance |
|--|--------------|------------|------------|
| Motion Pictures | \$ 799,583 | \$ 787,540 | \$ 12,043 |
| Rural Community Development | 6,351,590 | 2,901,703 | 3,449,887 |
| Small Business & Procurement | 583,618 | 438,268 | 145,350 |
| Minerals | | | |
| Minerals | 1,115,820 | 897,142 | 218,678 |
| Bond Reclamation | 1,358,046 | 50,720 | 1,307,326 |
| Agriculture | | | |
| Nevada Beef Council | 418,206 | 291,343 | 126,863 |
| Gas Pollution Standards | 621,700 | 393,321 | 228,379 |
| Plant Industry | 2,051,107 | 1,897,800 | 153,307 |
| Grade & Cert Agriculture Production | 535,954 | 289,339 | 246,615 |
| Garlic & Onion Research Promotion | 203,376 | 79,262 | 124,114 |
| Agricultural Registration/Enforcement | 1,704,563 | 837,047 | 867,516 |
| Livestock Inspection | 1,227,156 | 945,158 | 281,998 |
| Marijuana Health Registry | 2,681 | 2,514 | 167 |
| USDA CCC | 679,303 | 522,150 | 157,153 |
| Agriculture License Plates | 8,150 | 2,783 | 5,367 |
| Veterinary Medical Services | 1,068,166 | 933,501 | 134,665 |
| Weights & Measures | 1,426,184 | 1,386,629 | 39,555 |
| Insect Abatement | 471,883 | 203,237 | 268,646 |
| Agriculture Administration | 796,847 | 751,325 | 45,522 |
| Rangeland Resources Commission | 306,195 | 196,601 | 109,594 |
| Predatory Animal/Rodent Control | 905,468 | 882,275 | 23,193 |
| Nevada Jr Livestock Show Board | 36,850 | 35,807 | 1,043 |
| Gaming Control | | | |
| Gaming Control Board | 30,780,865 | 30,392,138 | 388,727 |
| Gaming Control Federal Forfeiture | 1,126,486 | 37,128 | 1,089,358 |
| Gaming Control-Forfeiture Account | 646,087 | 80,068 | 566,019 |
| Fed Forfeiture Treasury | 256,477 | - | 256,477 |
| Gaming Commission | 475,012 | 299,567 | 175,445 |
| Business & Industry | | | |
| Business & Industry Administration | 915,634 | 849,249 | 66,385 |
| Industrial Development Bond | 1,029,754 | 75,480 | 954,274 |
| Insurance Regulation | 4,327,726 | 4,049,543 | 278,183 |
| Captive Insurers | 56,340 | 49,263 | 7,077 |
| Insurance Recovery | 455,170 | 415,155 | 40,015 |
| Insurance Education & Research | 915,422 | 353,174 | 562,248 |
| NAIC Fees | 61,620 | 28,418 | 33,202 |
| Insurance Cost Stabilization | 269,334 | 152,771 | 116,563 |
| Consumer Affairs Restitution | 1,059,448 | 148,371 | 911,077 |
| Consumer Affairs | 1,250,643 | 1,237,143 | 13,500 |
| Low Income Housing Trust Fund | 11,894,003 | 4,520,478 | 7,373,525 |
| DOE Weatherization | 2,882,501 | 1,162,413 | 1,720,088 |
| Gov Committee to Employ People with Disabilities | 241,817 | 240,572 | 1,245 |
| Employee Management Relations | 158,452 | 156,708 | 1,744 |
| Common Interest Communities | 1,672,143 | 280,004 | 1,392,139 |
| Real Estate | 2,728,175 | 2,169,839 | 558,336 |
| Real Estate Investigative | 1,156 | - | 1,156 |
| Athletic Commission | 515,241 | 427,682 | 87,559 |
| Labor Relations | 1,176,672 | 1,138,864 | 37,808 |
| Attorney For Injured Workers | 2,432,354 | 2,208,399 | 223,955 |
| Financial Institutions Investigation | 1,207,684 | 272,953 | 934,731 |
| Financial Institutions | 2,138,699 | 1,954,310 | 184,389 |
| Financial Institutions Audit | 91,538 | 53,100 | 38,438 |
| Petroleum Overcharge Rebate | 702,089 | 146,589 | 555,500 |
| Energy Conservation | 1,006,637 | 608,621 | 398,016 |
| | 99,934,177 | 71,265,828 | 28,668,349 |
| Public Safety | | | |
| Corrections | | | |
| Prison Medical Care | 32,815,225 | 31,654,880 | 1,160,345 |
| Corrections Administration | 13,393,618 | 11,378,952 | 2,014,666 |
| Prison Warehouse Fund | 8,641,028 | - | 8,641,028 |
| Prison One-Shot Approp 85 Legislature | 1,368,615 | 592,594 | 776,021 |

| Department | Final Budget | Actual | Variance |
|---|--------------------|--------------------|-------------------|
| So Nevada Correctional Center | \$ 328,924 | \$ 303,479 | \$ 25,445 |
| Warm Springs Correctional Center | 7,068,379 | 7,029,812 | 38,567 |
| No Nevada Correctional Center | 15,960,162 | 15,871,958 | 88,204 |
| Nevada State Prison | 13,977,531 | 13,827,067 | 150,464 |
| Stewart Conservation Camp | 1,363,986 | 1,316,380 | 47,606 |
| Pioche Conservation Camp | 1,235,840 | 1,217,845 | 17,995 |
| Restitution Center - North | 844,992 | 818,201 | 26,791 |
| Indian Springs Conservation Camp | 1,585,659 | 1,548,801 | 36,858 |
| So Desert Correctional Center | 15,981,106 | 15,722,846 | 258,260 |
| Wells Conservation Camp | 984,650 | 927,135 | 57,515 |
| Humboldt Conservation Camp | 1,003,419 | 950,508 | 52,911 |
| Ely Conservation Camp | 1,038,473 | 1,012,386 | 26,087 |
| Jean Conservation Camp | 1,182,093 | 1,155,840 | 26,253 |
| Silver Sprngs Conservation Cmp | 1,029,272 | 1,018,020 | 11,252 |
| Ely State Prison | 20,502,617 | 20,190,252 | 312,365 |
| Carlin Conservation Camp | 1,057,916 | 1,010,701 | 47,215 |
| Tonopah Conservation Camp | 925,834 | 906,909 | 18,925 |
| Lovelock Correctional Center | 17,375,332 | 17,094,801 | 280,531 |
| Southern Nevada Women's Prison | 10,252,489 | 10,175,810 | 76,679 |
| High Desert State Prison | 22,638,372 | 22,442,410 | 195,962 |
| Public Safety | | | |
| Peace Officers Standards & Training | 2,658,116 | 1,926,576 | 731,540 |
| FEMA #1153 Dr-NV | 785,024 | 18,353 | 766,671 |
| Emergency Management Division | 7,621,189 | 4,129,162 | 3,492,027 |
| Parole & Probation | 31,594,539 | 30,949,162 | 645,377 |
| Investigations | 6,308,702 | 6,038,055 | 270,647 |
| Narcotics Control | 1,598,984 | 1,568,010 | 30,974 |
| Training Division | 1,205,970 | 831,132 | 374,838 |
| Parole Board | 1,159,374 | 1,108,220 | 51,154 |
| Fire Marshal | 1,922,394 | 1,297,201 | 625,193 |
| Hazardous Materials Training Center | 1,798,565 | 951,489 | 847,076 |
| Traffic Safety | 4,818,877 | 2,605,008 | 2,213,869 |
| Highway Safety Plan & Administration | 1,632,091 | 864,004 | 768,087 |
| Forfeitures | 2,408,499 | 1,166,324 | 1,242,175 |
| Drug Commission | 96,840 | 76,970 | 19,870 |
| Justice Assistance Account | 11,791,263 | 5,709,606 | 6,081,657 |
| Criminal History Repository | 9,351,085 | 8,240,059 | 1,111,026 |
| Child Volunteer Background Checks Trust | 9,803 | 6,825 | 2,978 |
| Emergency Response Commission | 1,305,349 | 778,741 | 526,608 |
| Public Safety, One Shots | 1,646,251 | 853,493 | 792,758 |
| PS Justice Grant | 5,458,665 | 603,144 | 4,855,521 |
| Dignitary Protection | 640,004 | 616,610 | 23,394 |
| Motor Vehicles | | | |
| Salvage/Wreckers/Body Shops | 523,911 | 141,974 | 381,937 |
| Motor Vehicle Pollution Control | 7,804,119 | 5,190,776 | 2,613,343 |
| | <u>296,695,146</u> | <u>253,838,481</u> | <u>42,856,665</u> |
| Infrastructure | | | |
| Conservation & Natural Resources | | | |
| State Environmental Commission | 39,482 | 30,037 | 9,445 |
| Natural Resources Administration | 1,655,997 | 1,604,203 | 51,794 |
| Water Resources Legal Cost | 270,646 | 134,364 | 136,282 |
| Tahoe Regional Planning Agency | 7,585,465 | 1,830,082 | 5,755,383 |
| Mining Cooperative Fund | 129,747 | 100,000 | 29,747 |
| Conservation Districts | 329,077 | 311,736 | 17,341 |
| Habitat Mitigation | 684,820 | 16,680 | 668,140 |
| Wildlife | 27,081,291 | 20,260,925 | 6,820,366 |
| Wildlife - Trout Management | 2,327,078 | 229,745 | 2,097,333 |
| Wildlife - Boating Program | 7,907,940 | 4,693,510 | 3,214,430 |
| Wildlife Heritage | 2,979,315 | 73,855 | 2,905,460 |
| Wildlife Obligated Reserve | 3,998,826 | 1,196,046 | 2,802,780 |
| Parks Federal Grant Programs | 2,960,594 | 745,650 | 2,214,944 |
| State Parks | 11,667,669 | 9,670,814 | 1,996,855 |
| Maintenance Of State Parks | 1,150,487 | 264,147 | 886,340 |

**Schedule of Total Uses - Budget and Actual, Non-GAAP Budgetary Basis
All General Fund Budgets**

| <u>Department</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|---------------------|---------------|-----------------|
| Coyote Springs Groundwater Basin | \$ 12,626 | \$ - | \$ 12,626 |
| Flood Control Rev Fund | 252,717 | - | 252,717 |
| USGS Co-Op | 1,418,369 | 886,062 | 532,307 |
| Groundwater Recharge Projects | 196,327 | 62,092 | 134,235 |
| Water Right Surveyors | 53,894 | 10,898 | 42,996 |
| Well Driller's Licenses | 61,837 | 22,349 | 39,488 |
| Water Resources | 4,898,909 | 4,382,614 | 516,295 |
| State Engineer Revenue | 66,970 | 44,534 | 22,436 |
| Little Humboldt River | 144,875 | 14,713 | 130,162 |
| Quinn River Distribution | 23,134 | 4,245 | 18,889 |
| Adjudication Emergency | 16,001 | - | 16,001 |
| Steptoe Valley Water Basin | 21,517 | 1,037 | 20,480 |
| Diamond Valley Ground Water | 7,864 | 3,883 | 3,981 |
| Colorado River Valley | 25,831 | - | 25,831 |
| Las Vegas Basin Water Dist | 3,399,139 | 725,950 | 2,673,189 |
| Muddy River Surface Water | 30,231 | 7,045 | 23,186 |
| Flood Repairs & Disaster Relief | 50,000 | - | 50,000 |
| Channel Clearance | 204,994 | 108,371 | 96,623 |
| Pahranagat Lake | 62,222 | 20,504 | 41,718 |
| Pahrump Artesian Basin | 45,761 | 8,444 | 37,317 |
| Boulder Flat Ground Water | 38,811 | 4,131 | 34,680 |
| Mason Valley Ground Water | 47,913 | 10,172 | 37,741 |
| Humboldt Water District | 294,246 | 186,391 | 107,855 |
| Water Dist Rev Fund | 30,001 | - | 30,001 |
| Smith Valley Artesian Basin | 26,753 | 3,103 | 23,650 |
| Currant Creek | 5,815 | 86 | 5,729 |
| Duckwater Creek | 22,051 | 9,442 | 12,609 |
| Paradise Valley Ground Water | 11,636 | 6,747 | 4,889 |
| Upper White River | 15,829 | 91 | 15,738 |
| Muddy River Springs | 32,209 | 3,599 | 28,610 |
| Kingston Creek | 1,751 | 594 | 1,157 |
| Warm Springs/Winnemucca Creek | 43,173 | 1,871 | 41,302 |
| Eagle Valley | 164,639 | 126,797 | 37,842 |
| Carson Valley Ground Water | 56,524 | 10,448 | 46,076 |
| Fish Lake Valley Artesian | 19,307 | 4,825 | 14,482 |
| Carico Creek | 443 | - | 443 |
| Lemmon Valley | 64,438 | 9,381 | 55,057 |
| Truckee Meadows/Sun Valley | 81,640 | 24,337 | 57,303 |
| Antelope Middle Reese River | 14,737 | 3,554 | 11,183 |
| Warm Springs Ground Water | 22,618 | 5,018 | 17,600 |
| Honey Lake Valley | 20,135 | 928 | 19,207 |
| Whirlwind Valley | 9,017 | - | 9,017 |
| Crescent Water Groundwater | 7,978 | 1,483 | 6,495 |
| Pumpnickel Valley | 44 | - | 44 |
| Clovers Area Groundwater | 19,796 | 3,025 | 16,771 |
| Cold Springs Valley | 14,720 | 1,876 | 12,844 |
| Imlay Ground Water | 21,290 | 1,924 | 19,366 |
| Kelly Creek Ground Water | 26,959 | 3,301 | 23,658 |
| Lower Reese River Valley | 46,442 | 4,305 | 42,137 |
| Maggie Creek | 38,966 | 3,660 | 35,306 |
| North Fork Ground Water | 7,512 | 54 | 7,458 |
| Pleasant Valley | 6,364 | 100 | 6,264 |
| Forestry | 7,174,087 | 4,391,468 | 2,782,619 |
| Forest Fire Suppression/Emergency Response | 7,358,156 | 4,774,552 | 2,583,604 |
| Forestry Honor Camps | 6,851,741 | 6,587,820 | 263,921 |
| Forestry Inter-Gov Agreements | 9,325,451 | 5,820,569 | 3,504,882 |
| Tahoe License Plates | 1,712,784 | 232,727 | 1,480,057 |
| Nevada Tahoe Regional Planning | 10,473 | 409 | 10,064 |
| State Lands | 1,297,134 | 1,114,494 | 182,640 |
| State Lands Revolving Account | 32,557 | 2,555 | 30,002 |
| Tahoe Bond Sale | 519,694 | 25,247 | 494,447 |
| Tahoe Mitigation | 2,759,042 | 1,630,154 | 1,128,888 |
| Nevada Natural Heritage | 536,427 | 426,990 | 109,437 |
| Storage Tank Management | 844,966 | - | 844,966 |

| Department | Final Budget | Actual | Variance |
|--|-------------------------|-------------------------|-----------------------|
| Environmental Protection Administration | \$ 2,896,571 | \$ 2,109,453 | \$ 787,118 |
| Chemical Hazard Prevention | 572,376 | 336,983 | 235,393 |
| Reclamation Surety Account | 353,460 | - | 353,460 |
| Air Quality Management Account | 3,065,536 | 1,963,134 | 1,102,402 |
| Air Quality | 3,606,851 | 2,850,266 | 756,585 |
| Bureau Of Water | 10,410,194 | 5,593,023 | 4,817,171 |
| Waste Mgmt & Fed Facilities | 11,156,631 | 8,074,557 | 3,082,074 |
| Mining Regulation/Reclamation | 2,736,575 | 1,670,581 | 1,065,994 |
| Interim Fluid Mgmt Trust | 1,734,115 | 177,270 | 1,556,845 |
| Hazardous Waste Management | 22,074,708 | 3,520,175 | 18,554,533 |
| Hazardous Waste - Beatty Site | 5,955,894 | - | 5,955,894 |
| Water Planning-Cap Improvement | 247,950 | 134,172 | 113,778 |
| | <u>186,208,782</u> | <u>99,332,377</u> | <u>86,876,405</u> |
| Special Purpose Agencies | | | |
| Military | | | |
| Veterans Affairs | 1,345,079 | 1,183,866 | 161,213 |
| Veterans Home Account | 10,021,350 | 1,833,261 | 8,188,089 |
| Veteran's Gifts And Donations | 179,953 | 28,202 | 151,751 |
| Veteran's Home Donation | 33,402 | 3,157 | 30,245 |
| Military | 5,628,250 | 5,618,236 | 10,014 |
| Adjutant General Construction | 120,391 | 243 | 120,148 |
| National Guard Benefits | 95,441 | 95,436 | 5 |
| Civil Air Patrol | 130,006 | 112,705 | 17,301 |
| | <u>17,553,872</u> | <u>8,875,106</u> | <u>8,678,766</u> |
| Appropriated Transfers to Other Funds | | | |
| Legislative Fund | 19,157,834 | 19,157,834 | - |
| Attorney General Fund- Consumer Advocate | 1,047,269 | 1,047,269 | - |
| Highway Fund | 51,419 | 51,419 | - |
| Parks Capital Construction | 500,000 | 500,000 | - |
| Contingency Fund | 18,250,000 | 18,250,000 | - |
| WICHE Loan and Stipend Fund | 358,754 | 358,754 | - |
| Higher Education Tuition Fund | 731,610 | 731,610 | - |
| Disaster Relief Fund | 2,000,000 | 2,000,000 | - |
| Other | 32,434 | - | 32,434 |
| | <u>42,129,320</u> | <u>42,096,886</u> | <u>32,434</u> |
| Reversions to Other Funds | | | |
| Reversion to Highway Fund | - | 615,125 | (615,125) |
| Reversion to Workers Comp & Safety | - | 794,815 | (794,815) |
| Reversion to Healthy Nevada Fund | - | 42,046 | (42,046) |
| Reversion to Contingency Fund | - | 2,711,073 | (2,711,073) |
| Reversion to Cons Bond Interest & Redemption | - | 12,220 | (12,220) |
| | - | <u>4,175,279</u> | <u>(4,175,279)</u> |
| Projected Reversions | | | |
| | <u>(38,920,000)</u> | - | <u>(38,920,000)</u> |
| Total General Fund | <u>\$ 4,133,514,184</u> | <u>\$ 3,663,153,273</u> | <u>\$ 470,360,911</u> |

Schedule of Total Uses-Budget and Actual, Non-GAAP Budgetary Basis

All Special Revenue Fund Budgets

For the Fiscal Year Ended June 30, 2002

Page 1 of 3

| Department | Final Budget | Actual | Variance |
|---|--------------------|--------------------|--------------------|
| State Highway | | | |
| Finance & Administration | | | |
| Unbudgeted Activity | \$ - | \$ 690,063 | \$ (690,063) |
| Salary Adjustment | 11,596,312 | 1,751,370 | 9,844,942 |
| Appropriations to Other Funds | 6,172,813 | 6,172,672 | 141 |
| Public Safety | | | |
| Transportation Administration | 27,865 | - | 27,865 |
| Transportation Administration | 617,858,723 | 368,547,264 | 249,311,459 |
| Bond Construction | 73,715,707 | 55,714,649 | 18,001,058 |
| Bicycle Safety Program | 207,130 | 169,159 | 37,971 |
| Motorcycle Safety Program | 492,158 | 214,721 | 277,437 |
| Director's Office - Public Safety | 1,973,470 | 1,524,763 | 448,707 |
| Internal Affairs | 300,170 | 272,699 | 27,471 |
| Records Search | 948,305 | 882,010 | 66,295 |
| Highway Patrol | 51,477,105 | 50,120,879 | 1,356,226 |
| Administrative Services | 1,633,774 | 1,441,825 | 191,949 |
| DMV Motor Vehicle Info Technology | 7,919,884 | 7,727,700 | 192,184 |
| Motor Carrier | 3,089,148 | 3,016,112 | 73,036 |
| PS Highway Safety Grants Account | 3,649,482 | 1,511,265 | 2,138,217 |
| Verification Of Insurance | 2,315,518 | 1,646,184 | 669,334 |
| Hearings - DMV & PS | 782,178 | 752,052 | 30,126 |
| Public Safety Technology Division | 5,195,092 | 5,163,814 | 31,278 |
| DMV Field Services | 34,919,406 | 28,688,770 | 6,230,636 |
| Compliance Enforcement | 1,363,684 | 1,339,956 | 23,728 |
| Central Services | 11,216,984 | 10,793,393 | 423,591 |
| Management Services | 5,309,660 | 4,200,445 | 1,109,215 |
| Director'S Office - DMV | 983,533 | 978,648 | 4,885 |
| Administrative Services | 5,912,512 | 5,622,164 | 290,348 |
| Debt Service Transfers | | | |
| Debt Service | 13,050,650 | 13,050,650 | - |
| Total | 862,111,263 | 571,993,227 | 290,118,036 |
| Municipal Bond Bank | | | |
| Constitutional Agencies | | | |
| Municipal Bond Bank Revenue | 80,231,251 | 80,223,298 | 7,953 |
| Commerce & Industry | | | |
| Water Projects Interest/Redemption | 576,904 | 573,555 | 3,349 |
| Total | 80,808,155 | 80,796,853 | 11,302 |
| Stabilize the Operations of State Government | | | |
| Constitutional Agencies | | | |
| Stabilization of State Government | - | - | - |
| Total | - | - | - |
| School Improvement | | | |
| Special Projects | | | |
| School Improvement | 58,610,825 | 29,500,000 | 29,110,825 |
| Total | 58,610,825 | 29,500,000 | 29,110,825 |
| Employment Security | | | |
| Human Services | | | |
| Claimant Employment Program | 14,466,843 | 8,073,011 | 6,393,832 |
| Employment Security | 61,868,605 | 45,637,769 | 16,230,836 |
| Employment Security Special Fund | 11,129,458 | 1,522,453 | 9,607,005 |
| Total | 87,464,906 | 55,233,233 | 32,231,673 |
| Regulatory | | | |
| Commerce & Industry | | | |
| Manufactured Housing | 1,262,613 | 1,072,416 | 190,197 |
| Real Estate Education & Research | 781,973 | 328,405 | 453,568 |
| Real Estate Recovery Account | 412,240 | 357,960 | 54,280 |
| Mobile Home Parks | 284,883 | 88,097 | 196,786 |
| Mfg Housing-Education/Recovery | 694,638 | 197,044 | 497,594 |
| Regulatory Fund | 15,604,032 | 10,623,145 | 4,980,887 |
| Administrative Fines | 46,953 | 26,953 | 20,000 |
| Transportation Services Authority | 1,858,396 | 1,857,991 | 405 |
| TSA Administrative Fines | 377,746 | 126,848 | 250,898 |
| Taxicab Authority | 5,444,248 | 4,267,087 | 1,177,161 |
| Dairy Commission | 1,589,208 | 1,268,457 | 320,751 |
| Total | 28,356,930 | 20,214,403 | 8,142,527 |

| Department | Final Budget | Actual | Variance |
|---|--------------------|-------------------|-------------------|
| Legislative | | | |
| Constitutional Agencies | | | |
| Nevada Legislative Interim | \$ 396,887 | \$ 386,852 | \$ 10,035 |
| Legislative Counsel Bureau | 27,363,047 | 21,848,737 | 5,514,310 |
| Audit Contingency Account | 174,000 | 174,000 | - |
| Total | 27,933,934 | 22,409,589 | 5,524,345 |
| Higher Education Capital Construction | | | |
| Finance & Administration | | | |
| Higher Education Capital Construction | 5,000,000 | 5,000,000 | - |
| Higher Education Special Construction | 41,681,045 | 10,408,858 | 31,272,187 |
| Total | 46,681,045 | 15,408,858 | 31,272,187 |
| Cleaning Up Petroleum Discharges | | | |
| Infrastructure | | | |
| Petroleum Clean-Up Trust Fund | 16,763,109 | 7,612,016 | 9,151,093 |
| Total | 16,763,109 | 7,612,016 | 9,151,093 |
| Hospital Care to Indigent Persons | | | |
| Finance & Administration | | | |
| Supplemental Fund - Indigents | 14,435,239 | 6,020,565 | 8,414,674 |
| Indigent Accident Account | 18,626,534 | 6,499,360 | 12,127,174 |
| Total | 33,061,773 | 12,519,925 | 20,541,848 |
| Tourism Promotion | | | |
| Commerce & Industry | | | |
| Commission On Tourism | 18,737,306 | 14,399,185 | 4,338,121 |
| Total | 18,737,306 | 14,399,185 | 4,338,121 |
| Offenders Store | | | |
| Public Safety | | | |
| Offenders' Store Fund | 13,351,358 | 10,918,026 | 2,433,332 |
| Inmate Welfare Account | 4,056,888 | 3,212,733 | 844,155 |
| Total | 17,408,246 | 14,130,759 | 3,277,487 |
| Tobacco Settlement | | | |
| Constitutional Agencies | | | |
| Millennium Scholarship Fund | 47,090,089 | 14,200,713 | 32,889,376 |
| Millennium Scholarship Administration | 533,881 | 323,337 | 210,544 |
| Trust Fund For Healthy Nevada | 61,598,777 | 23,365,767 | 38,233,010 |
| Trust Fund For Public Health | 13,437,593 | 295,819 | 13,141,774 |
| Human Services | | | |
| Healthy Nevada Fund | 9,183,988 | 5,069,478 | 4,114,510 |
| Public Health Tobacco Fund | 381,188 | 208,502 | 172,686 |
| Healthy Nevada Fund Administration | 21,330,875 | 18,363,678 | 2,967,197 |
| Total | 153,556,391 | 61,827,294 | 91,729,097 |
| Contingency | | | |
| Constitutional Agencies | | | |
| Interim Finance Committee | 63,254,572 | 40,745,426 | 22,509,146 |
| Total | 63,254,572 | 40,745,426 | 22,509,146 |
| Care of Sites for Radioactive Waste Disposal | | | |
| Human Services | | | |
| Radioactive Material Disposal | 11,682,975 | 272,169 | 11,410,806 |
| Total | 11,682,975 | 272,169 | 11,410,806 |

Schedule of Total Uses-Budget and Actual, Non-GAAP Budgetary Basis All Special Revenue Fund Budgets

State
of
Nevada

For the Fiscal Year Ended June 30, 2002

Page 3 of 3

| Department | Final Budget | Actual | Variance |
|--|-------------------------|-----------------------|-----------------------|
| Gift | | | |
| Commerce & Industry | | | |
| Governor's Committee Gift Fund | \$ 39,992 | \$ 5,466 | \$ 34,526 |
| Education | | | |
| Education Gift Fund | 31,551 | 500 | 31,051 |
| Library & Archives Gift Fund | 123,500 | 13,180 | 110,320 |
| Human Services | | | |
| SNAMHS Gift Fund | 11,141 | 1,553 | 9,588 |
| Aging Services Gift Fund | 1,522 | 1,522 | - |
| Settlement Funds | 224,433 | 13,127 | 211,306 |
| Health Division Gifts | 42,135 | 21,551 | 20,584 |
| Transition From Foster Care | 1,404,000 | - | 1,404,000 |
| CBS Washoe Gift Fund | 32,083 | 4,010 | 28,073 |
| Hospital Gift Fund | 273,904 | 8,389 | 265,515 |
| NNMRS Gift Fund | 25,000 | 450 | 24,550 |
| Blind Gift Fund | 197,720 | 9,975 | 187,745 |
| Welfare Gift Fund | 9,887 | - | 9,887 |
| Rehabilitation Gift Fund | 2,909 | 105 | 2,804 |
| Henry Woods Christmas Fund | 7,962 | 2,374 | 5,588 |
| Nevada Children's Gift Account | 545,190 | 57,142 | 488,048 |
| CYC Gift Fund | 7,654 | - | 7,654 |
| Youth Training Center Gift Fund | 12,410 | 35 | 12,375 |
| DRC Gift Fund | 15,195 | 300 | 14,895 |
| Infrastructure | | | |
| Heil Wild Horse Bequest | 1,192,603 | 275,846 | 916,757 |
| Water Planning | 2,372 | 2,372 | - |
| Park Gift & Grants | 166,785 | 41,425 | 125,360 |
| Total | 4,369,948 | 459,322 | 3,910,626 |
| Natural Resources | | | |
| Infrastructure | | | |
| Grants To Water Purveyors | 8,471,085 | 3,154,190 | 5,316,895 |
| Erosion Control Bond Q12 | 17,173,233 | 3,811,455 | 13,361,778 |
| Protect Lake Tahoe | 9,501,250 | 874,567 | 8,626,683 |
| Total | 35,145,568 | 7,840,212 | 27,305,356 |
| Miscellaneous | | | |
| Constitutional Agencies | | | |
| Private Investigators Licensing Board | 500,144 | 251,822 | 248,322 |
| Renew Energy & Energy Conservation | 260,000 | 5,000 | 255,000 |
| Racketeering-Prosecution Acct | 5,000 | 4,875 | 125 |
| Consumer Advocate | 4,084,201 | 3,669,970 | 414,231 |
| Unfair Trade Practices | 900,000 | 716,511 | 183,489 |
| Anatomical Gift Account | 20,000 | 14,876 | 5,124 |
| Disaster Relief | 2,171,805 | - | 2,171,805 |
| Commerce & Industry | | | |
| Lot Rent Trust Subsidy | 523,191 | 485,864 | 37,327 |
| Rural Rehabilitation Trust | 252,299 | 11,450 | 240,849 |
| Education | | | |
| Museums & History Trust Fund | 343,270 | 5,596 | 337,674 |
| Museums & History Board Trust | 30,510 | 29,793 | 717 |
| Museums Administrator Trust | 29,571 | 11,175 | 18,396 |
| Nevada Historical Society Trst | 224,548 | 143,451 | 81,097 |
| Nevada State Museum Trust | 632,932 | 333,077 | 299,855 |
| Nevada Railroad Museum Trust | 248,878 | 183,210 | 65,668 |
| Lost City Museum Trust | 124,843 | 76,991 | 47,852 |
| Las Vegas Museum And Trust | 54,278 | 54,278 | - |
| Finance & Administration | | | |
| Public Works Inspection | 4,050,270 | 3,792,589 | 257,681 |
| Public Works Retention Payment | 236,025 | 66,646 | 169,379 |
| Victims Of Crime | 4,985,501 | 4,875,583 | 109,918 |
| Human Services | | | |
| Institutional Care Of Medical Indigent | 725,927 | 721,926 | 4,001 |
| Public Safety | | | |
| Emergency Assistance | 853,149 | 335,914 | 517,235 |
| Total | 21,256,342 | 15,790,597 | 5,465,745 |
| Total Special Revenue Funds | \$ 1,567,203,288 | \$ 971,153,068 | \$ 596,050,220 |

Schedule of Revenues-Budget and Actual, Non-GAAP Budgetary Basis All Nonmajor Special Revenue Fund Budgets

For the Fiscal Year Ended June 30, 2002 (Expressed in Thousands)

| | Final Budget | Actual | Variance | Final Budget | Actual | Variance |
|---------------------------------|---------------------------------------|------------------|--------------------|----------------------------------|------------------|--------------------|
| | School Improvement | | | Employment Security | | |
| Fund balances, July 1 | \$ 34,411 | \$ 34,411 | \$ - | \$ 15,612 | \$ 15,612 | \$ - |
| Revenues: | | | | | | |
| Federal | - | - | - | 57,855 | 43,162 | (14,693) |
| Other taxes | 21,700 | 15,044 | (6,656) | - | - | - |
| Sales, charges for services | - | - | - | 387 | 663 | 276 |
| Licenses, fees and permits | - | - | - | 338 | 335 | (3) |
| Interest | 2,500 | 1,126 | (1,374) | 420 | 538 | 118 |
| Other | - | - | - | 10,005 | 9,639 | (366) |
| Other financing sources: | | | | | | |
| Transfer from other funds | - | - | - | 2,849 | 1,655 | (1,194) |
| Total sources | \$ 58,611 | \$ 50,581 | \$ (8,030) | \$ 87,466 | \$ 71,604 | \$ (15,862) |
| | Regulatory | | | Legislative | | |
| Fund balances, July 1 | \$ 7,065 | \$ 7,065 | \$ - | \$ 7,180 | \$ 7,180 | \$ - |
| Revenues: | | | | | | |
| Federal | 166 | 191 | 25 | - | - | - |
| Other taxes | 10,694 | 10,493 | (201) | - | - | - |
| Sales, charges for services | 3,330 | 3,136 | (194) | 885 | 875 | (10) |
| Licenses, fees and permits | 2,361 | 2,182 | (179) | - | - | - |
| Interest | 90 | 58 | (32) | - | - | - |
| Other | 334 | 291 | (43) | 247 | 292 | 45 |
| Other financing sources: | | | | | | |
| Transfer from other funds | 4,153 | 2,134 | (2,019) | 19,622 | 19,443 | (179) |
| Total sources | \$ 28,193 | \$ 25,550 | \$ (2,643) | \$ 27,934 | \$ 27,790 | \$ (144) |
| | Higher Education Capital Construction | | | Cleaning Up Petroleum Discharges | | |
| Fund balances, July 1 | \$ 11,681 | \$ 11,681 | \$ - | \$ 4,165 | \$ 4,165 | \$ - |
| Revenues: | | | | | | |
| Gaming taxes, fees, licenses | 35,000 | 15,857 | (19,143) | - | - | - |
| Other taxes | - | - | - | 11,462 | 11,462 | - |
| Licenses, fees and permits | - | - | - | 550 | 416 | (134) |
| Interest | - | - | - | 450 | 223 | (227) |
| Other | - | - | - | 136 | 41 | (95) |
| Total sources | \$ 46,681 | \$ 27,538 | \$ (19,143) | \$ 16,763 | \$ 16,307 | \$ (456) |
| | Hospital Care to Indigent Persons | | | Tourism Promotion | | |
| Fund balances, July 1 | \$ 10,997 | \$ 10,997 | \$ - | \$ 6,177 | \$ 6,177 | \$ - |
| Revenues: | | | | | | |
| Other taxes | 21,274 | 20,575 | (699) | 12,411 | 11,269 | (1,142) |
| Sales, charges for services | - | - | - | 5 | - | (5) |
| Licenses, fees and permits | - | - | - | 135 | 92 | (43) |
| Interest | 414 | 597 | 183 | - | - | - |
| Other | 377 | 336 | (41) | - | 10 | 10 |
| Other financing sources: | | | | | | |
| Transfer from other funds | - | - | - | 10 | - | (10) |
| Total sources | \$ 33,062 | \$ 32,505 | \$ (557) | \$ 18,738 | \$ 17,548 | \$ (1,190) |

| | Final Budget | Actual | Variance | Final Budget | Actual | Variance |
|---------------------------------|------------------|------------------|---|-------------------|-------------------|--------------------|
| Offenders' Store | | | Tobacco Settlement | | | |
| Fund balances, July 1 | \$ 2,195 | \$ 2,195 | \$ - | \$ 71,496 | \$ 71,496 | \$ - |
| Revenues: | | | | | | |
| Federal | 478 | 332 | (146) | 1 | 1 | - |
| Sales, charges for services | 11,624 | 10,397 | (1,227) | - | - | - |
| Interest | 321 | 199 | (122) | 4,873 | 2,548 | (2,325) |
| Other | 300 | 288 | (12) | 46,345 | 44,636 | (1,709) |
| Other financing sources: | | | | | | |
| Transfer from other funds | 2,490 | 3,001 | 511 | 30,841 | 23,718 | (7,123) |
| Total sources | \$ 17,408 | \$ 16,412 | \$ (996) | \$ 153,556 | \$ 142,399 | \$ (11,157) |
| Contingency | | | Care of Sites for Radioactive Waste Disposal | | | |
| Fund balances, July 1 | \$ 42,505 | \$ 42,505 | \$ - | \$ 10,969 | \$ 10,969 | \$ - |
| Revenues: | | | | | | |
| Licenses, fees and permits | - | - | - | 144 | 89 | (55) |
| Interest | - | - | - | 570 | 423 | (147) |
| Other financing sources: | | | | | | |
| Transfer from other funds | 20,750 | 19,840 | (910) | - | - | - |
| Total sources | \$ 63,255 | \$ 62,345 | \$ (910) | \$ 11,683 | \$ 11,481 | \$ (202) |
| Gift | | | Natural Resources | | | |
| Fund balances, July 1 | \$ 2,418 | \$ 2,418 | \$ - | \$ 17,275 | \$ 17,275 | \$ - |
| Revenues: | | | | | | |
| Licenses, fees and permits | 1,350 | 679 | (671) | - | 89 | 89 |
| Interest | 300 | 89 | (211) | 1,301 | 1,048 | (253) |
| Other | 297 | 108 | (189) | - | - | - |
| Other financing sources: | | | | | | |
| Proceeds from sale of bonds | - | - | - | 16,570 | 16,570 | - |
| Transfer from other funds | 5 | 1 | (4) | - | - | - |
| Total sources | \$ 4,370 | \$ 3,295 | \$ (1,075) | \$ 35,146 | \$ 34,982 | \$ (164) |
| Miscellaneous | | | Total Nonmajor Special Revenue Funds | | | |
| Fund balances, July 1 | \$ 5,104 | \$ 5,104 | \$ - | \$ 249,250 | \$ 249,250 | \$ - |
| Revenues: | | | | | | |
| Gaming taxes, fees, licenses | - | - | - | 35,000 | 15,857 | (19,143) |
| Federal | 1,264 | 1,087 | (177) | 59,764 | 44,773 | (14,991) |
| Other taxes | 2,079 | 2,078 | (1) | 79,620 | 70,921 | (8,699) |
| Sales, charges for services | 643 | 567 | (76) | 16,874 | 15,638 | (1,236) |
| Licenses, fees and permits | 6,565 | 6,328 | (237) | 11,443 | 10,210 | (1,233) |
| Interest | 595 | 348 | (247) | 11,834 | 7,197 | (4,637) |
| Other | 2,705 | 4,549 | 1,844 | 60,746 | 60,190 | (556) |
| Other financing sources: | | | | | | |
| Proceeds from sale of bonds | - | - | - | 16,570 | 16,570 | - |
| Transfer from other funds | 2,391 | 3,525 | 1,134 | 83,111 | 73,317 | (9,794) |
| Total sources | \$ 21,346 | \$ 23,586 | \$ 2,240 | \$ 624,212 | \$ 563,923 | \$ (60,289) |

For the Last Ten Fiscal Years (Expressed in Thousands) (Unaudited)

General Governmental Expenditures and Other Uses by Function*

Table 1

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Expenditures: | | | | | | | | | | |
| General government | \$ 64,123 | \$ 64,525 | \$ 75,742 | \$ 75,770 | \$ 101,565 | \$ 97,606 | \$ 111,116 | \$ 103,360 | \$ 112,393 | \$ 108,507 |
| Health, social services | 909,041 | 864,576 | 994,633 | 1,061,930 | 1,090,069 | 1,179,553 | 1,236,991 | 1,353,839 | 1,440,569 | 1,536,696 |
| Education and support | 22,356 | 23,009 | 24,633 | 24,019 | 26,460 | 30,476 | 42,027 | 44,532 | 43,091 | 968,484 |
| Law, justice, and public safety | 199,261 | 211,015 | 224,281 | 256,015 | 276,275 | 341,970 | 338,518 | 361,041 | 382,316 | 412,317 |
| Regulation of business | 59,673 | 54,664 | 58,925 | 58,819 | 63,730 | 67,816 | 82,127 | 87,057 | 84,553 | 75,189 |
| Transportation | 263,996 | 347,064 | 368,040 | 344,183 | 312,592 | 331,302 | 433,118 | 537,748 | 484,219 | 418,870 |
| Recreation, resource development | 68,603 | 72,635 | 77,273 | 80,713 | 89,011 | 91,436 | 85,378 | 92,140 | 95,657 | 95,869 |
| Intergovernmental | 474,193 | 495,287 | 482,910 | 613,244 | 672,812 | 767,476 | 854,172 | 856,294 | 912,569 | 93,082 |
| Capital improvements | 60,887 | 49,871 | 40,548 | 27,932 | 49,298 | 46,849 | 67,327 | 150,095 | 37,489 | 18,404 |
| Debt service | 224,377 | 76,739 | 107,225 | 138,791 | 151,422 | 157,868 | 192,433 | 183,114 | 200,759 | 230,261 |
| Other Uses: | | | | | | | | | | |
| University | 196,155 | 218,237 | 257,676 | 266,381 | 350,404 | 302,878 | 402,384 | 348,110 | 375,640 | 406,818 |
| Total expenditures and other uses | \$ 2,542,665 | \$ 2,477,622 | \$ 2,711,886 | \$ 2,947,797 | \$ 3,183,638 | \$ 3,415,230 | \$ 3,845,591 | \$ 4,117,330 | \$ 4,169,255 | \$ 4,364,497 |

General Governmental Revenues and Other Resources by Source *

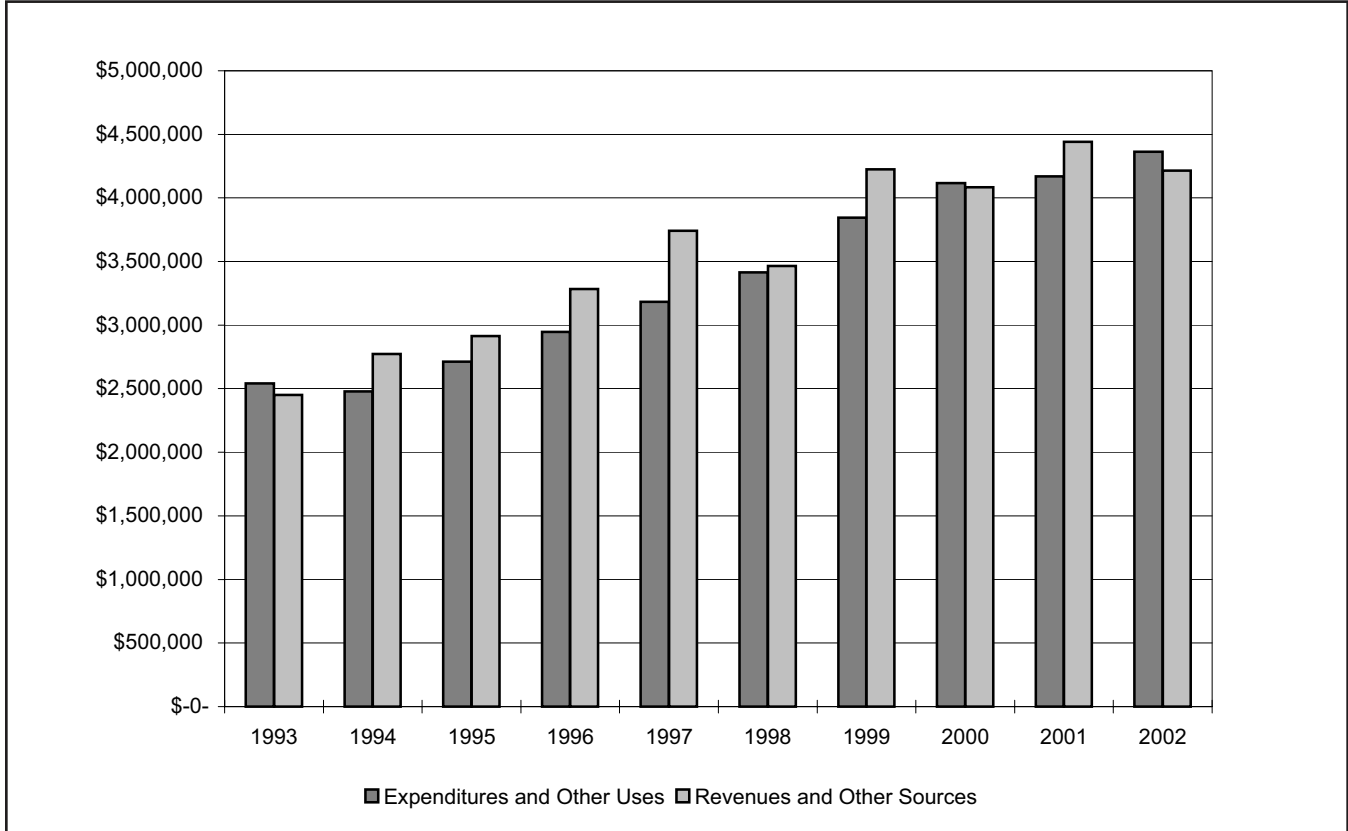
Table 2

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Revenues: | | | | | | | | | | |
| Gaming taxes | \$ 453,084 | \$ 490,166 | \$ 517,524 | \$ 566,834 | \$ 566,079 | \$ 586,186 | \$ 635,264 | \$ 707,300 | \$ 724,981 | \$ 697,482 |
| Sales taxes | 343,604 | 402,548 | 446,504 | 502,960 | 554,891 | 581,991 | 645,560 | 672,473 | 714,249 | 718,910 |
| Intergovernmental | 645,228 | 709,128 | 836,557 | 877,735 | 908,806 | 950,533 | 1,036,944 | 1,084,235 | 1,187,155 | 1,347,251 |
| Other taxes | 661,839 | 648,390 | 694,031 | 729,808 | 772,563 | 815,270 | 862,477 | 949,538 | 960,301 | 761,908 |
| Licenses, fees and permits | 164,741 | 166,094 | 175,139 | 185,375 | 198,622 | 204,653 | 222,274 | 237,798 | 241,940 | 270,724 |
| Charges for service and sales | 29,579 | 39,657 | 39,751 | 41,458 | 44,885 | 50,427 | 55,298 | 52,378 | 53,049 | 54,953 |
| Interest, investment income | 56,959 | 45,572 | 68,387 | 91,595 | 113,061 | 164,843 | 164,919 | 159,220 | 185,299 | 124,674 |
| Other | 60,125 | 48,797 | 43,159 | 42,699 | 52,396 | 47,932 | 45,855 | 120,877 | 108,086 | 102,815 |
| Other Resources: | | | | | | | | | | |
| Net proceeds from debt financing | 32,006 | 218,632 | 90,093 | 239,531 | 522,685 | 26,674 | 551,221 | 93,211 | 256,473 | 114,967 |
| Net operating transfers | 3,816 | 4,153 | 3,274 | 4,829 | 3,549 | 5,990 | 3,525 | 5,303 | 7,766 | 20,464 |
| Other | 56 | 149 | 162 | 357 | 3,226 | 31,196 | 450 | 531 | 870 | 1,539 |
| Total revenues and other resources | \$ 2,451,037 | \$ 2,773,286 | \$ 2,914,581 | \$ 3,283,181 | \$ 3,740,763 | \$ 3,465,695 | \$ 4,223,787 | \$ 4,082,864 | \$ 4,440,169 | \$ 4,215,687 |

* Includes General, Special Revenue, Debt Service, Capital Projects and Permanent Funds. Note that transfers to/from component unit have been netted and included as other uses. Operating transfers in/out have been netted and included as other resources

For the Last Ten Fiscal Years (Expressed in Thousands) (Unaudited)

**General Governmental Expenditures and Other Uses Compared with
General Governmental Revenues and Other Resources**



General Fund Expenditures and Unreserved Fund Balance

Table 3

| <u>Fiscal Year Ended June 30</u> | <u>General Fund Expenditures</u> | <u>Unreserved General Fund Balance</u> | <u>"Rainy Day" (1) Fund Balance</u> |
|--------------------------------------|--------------------------------------|--|---|
| 1993 | \$ 1,386,788 | \$ 32,732 | \$ - |
| 1994 | 1,418,582 | 39,616 | 18,057 |
| 1995 | 1,578,382 | (26,809) | 100,000 |
| 1996 | 1,792,460 | 10,107 | 123,392 |
| 1997 | 1,869,807 | (9,360) | 128,867 |
| 1998 | 2,097,300 | (89,509) | 128,867 |
| 1999 | 2,215,598 | (68,511) | 128,867 |
| 2000 | 2,410,399 | (46,803) | 147,096 |
| 2001 | 2,550,207 | (101,012) | 136,341 |
| 2002 | 2,979,250 | (167,297) | 136,341 |

(1) The 1991 Legislature, and as amended in 2001, established a fiscal emergency (rainy day) fund that is funded with 40% of the unrestricted balance of the state general fund, after attaining certain reserves.

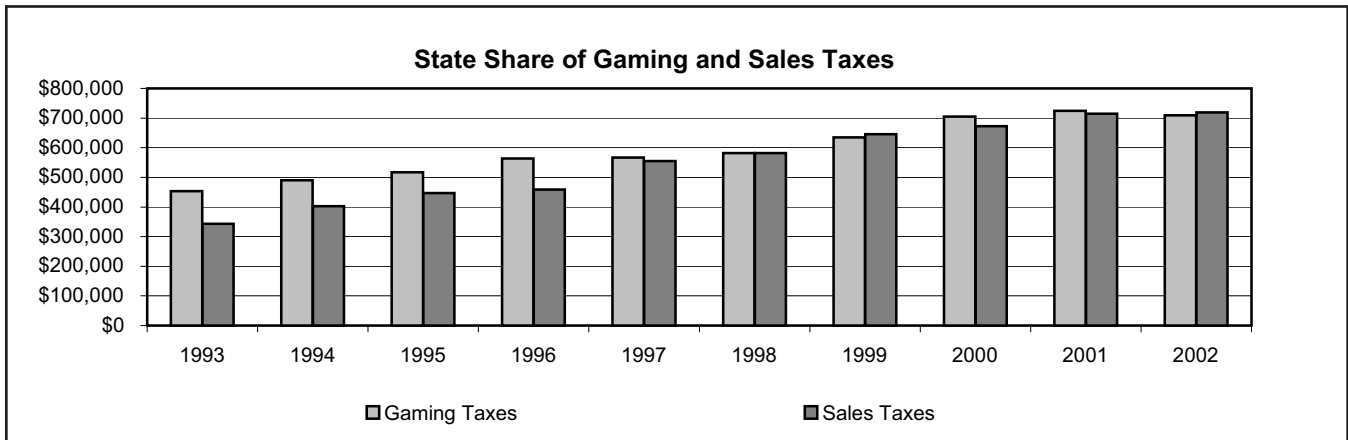
For the Last Ten Fiscal Years (Expressed in Thousands) (Unaudited)

State Collected Gaming Taxes and Sales Taxes

Table 4

| Fiscal Year Ended June 30 | Gaming Taxes | | | Sales Taxes | | | |
|---------------------------|-------------------------------|--------------------------------|--------------------------|---------------------|--------------------------|-----------------------------|---|
| | Gross Taxable Gaming Revenues | State Collections Gaming Taxes | State Share Gaming Taxes | Gross Taxable Sales | Gross Sales Tax Revenues | State General Fund Revenues | Sales Taxes Collected for Local Governments |
| 1993 | \$ 5,871,840 | \$ 455,182 | \$ 453,084 | \$ 15,665,903 | \$ 1,071,886 | \$ 343,604 | \$ 728,282 |
| 1994 | 6,397,278 | 498,709 | 490,166 | 18,215,224 | 1,245,720 | 402,548 | 842,788 |
| 1995 | 6,821,022 | 522,848 | 517,524 | 20,075,579 | 1,374,636 | 446,504 | 928,132 |
| 1996 | 7,240,837 | 565,921 | 563,198 | 22,222,771 | 1,541,703 | 458,336 | 1,083,367 |
| 1997 | 7,300,149 | 569,962 | 567,341 | 24,408,114 | 1,696,634 | 554,891 | 1,192,259 |
| 1998 | 7,577,394 | 584,048 | 581,423 | 25,360,551 | 1,771,936 | 581,991 | 1,246,825 |
| 1999 | 8,133,799 | 637,903 | 635,288 | 28,039,912 | 1,973,968 | 645,560 | 1,393,773 |
| 2000 | 9,015,244 | 707,610 | 704,893 | 29,815,517 | 2,149,120 | 672,473 | 1,472,225 |
| 2001 | 9,220,209 | 727,104 | 724,310 | 31,527,164 | 2,259,365 | 714,249 | 1,549,528 |
| 2002 | 9,082,035 | 711,577 | 708,898 | 31,785,790 | 2,288,288 | 718,910 | 1,569,378 |

Sources: Nevada Gaming Control Board, State Department of Taxation



Average Combined Property Tax Rates and State Levy

Table 5

| Fiscal Year Ended June 30 | Tax Rates Per \$100 of Assessed Value | | | | | |
|---------------------------|---------------------------------------|---------------|-------------------|---------------------|------------------|----------------------|
| | Clark County | Washoe County | 15 Other Counties | Average County Rate | State Gov't Rate | State Gov't Tax Levy |
| 1994 | 2.8043 | 3.2863 | 2.5919 | 2.8550 | 0.1500 | \$39,199,474 |
| 1995 | 2.8111 | 3.3265 | 2.5942 | 2.8661 | 0.1500 | 42,442,059 |
| 1996 | 2.7813 | 3.4140 | 2.5355 | 2.8505 | 0.1500 | 46,653,503 |
| 1997 | 2.7881 | 3.3545 | 2.5926 | 2.8580 | 0.1500 | 51,138,611 |
| 1998 | 2.9106 | 3.3675 | 2.6272 | 2.9443 | 0.1500 | 55,970,796 |
| 1999 | 2.9404 | 3.4032 | 2.6249 | 2.9716 | 0.1500 | 61,221,755 |
| 2000 | 2.8274 | 3.4455 | 2.6676 | 3.0042 | 0.1500 | 68,826,505 |
| 2001 | 3.0181 | 3.4278 | 2.6519 | 3.0339 | 0.1500 | 74,608,661 |
| 2002 | 3.0334 | 3.4724 | 2.6715 | 3.0563 | 0.1500 | 79,404,732 |
| 2003 | 3.0321 | 3.5511 | 2.7209 | 3.0758 | 0.1500 | 86,653,099 |

Source: Department of Taxation

Historically, outstanding delinquent taxes have been minimal. The two largest counties have for the past ten years had less than 1/2 of 1 percent of the current levy as outstanding delinquent taxes at the end of the collection period.

For the Last Ten Fiscal Years (Expressed in Thousands) (Unaudited)

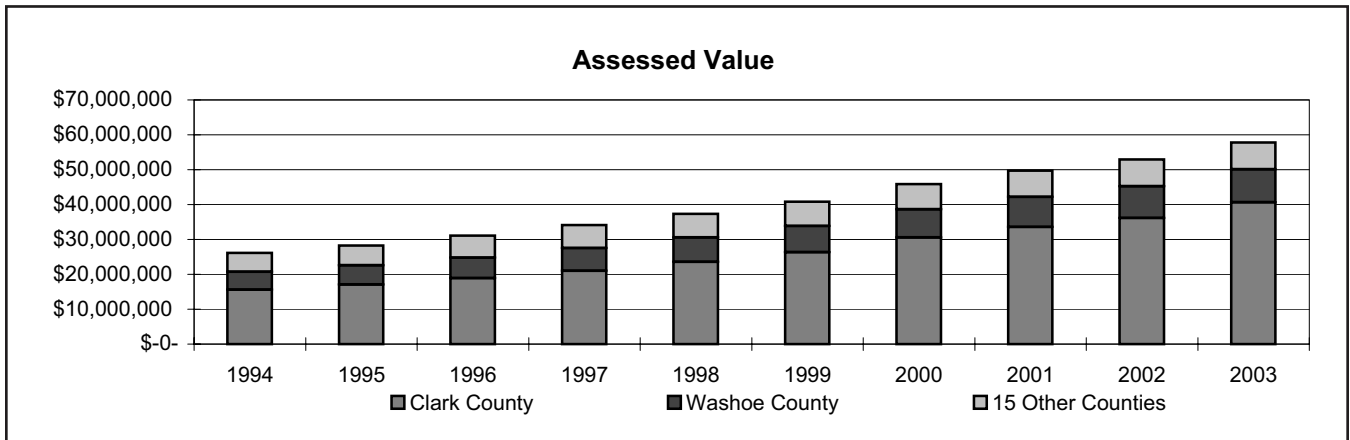
Assessed Value of Taxable Property

Table 6

| Fiscal Year Ended June 30 | Assessed Value (1) | | | | Market Value |
|---------------------------|--------------------|---------------|-------------------|---------------|---------------|
| | Clark County | Washoe County | 15 Other Counties | Total State | Total State |
| 1994 | \$ 15,574,486 | \$ 5,179,851 | \$ 5,378,646 | \$ 26,132,983 | \$ 74,665,666 |
| 1995 | 17,107,695 | 5,440,391 | 5,746,620 | 28,294,706 | 80,842,017 |
| 1996 | 18,909,831 | 5,863,539 | 6,328,966 | 31,102,336 | 88,863,817 |
| 1997 | 21,023,607 | 6,482,287 | 6,586,513 | 34,092,407 | 97,406,877 |
| 1998 | 23,599,895 | 6,948,776 | 6,765,193 | 37,313,864 | 106,611,040 |
| 1999 | 26,347,735 | 7,500,857 | 6,965,912 | 40,814,504 | 116,612,869 |
| 2000 | 30,539,106 | 8,085,546 | 7,269,325 | 45,893,977 | 131,125,648 |
| 2001 | 33,616,437 | 8,624,387 | 7,508,424 | 49,749,248 | 142,140,708 |
| 2002 | 36,163,445 | 9,096,698 | 7,683,594 | 52,943,737 | 151,267,821 |
| 2003 | 40,649,295 | 9,461,964 | 7,657,474 | 57,768,733 | 165,053,522 |

Source: Department of Taxation

(1) Excludes redevelopment valuation. Assessed value is approximately 35% of fair market value.



Ten Largest Taxable Property Owners

Table 7

| 2002-2003 | Assessed Valuation | Percentage of Total Assessed Valuation |
|--------------------------------------|---------------------|--|
| M.G.M. Mirage (Las Vegas) | \$ 1,450,430 | 2.47 % |
| Park Place Entertainment (Las Vegas) | 883,854 | 1.51 |
| Mandalay Resort Group (Las Vegas) | 771,640 | 1.32 |
| Nevada Power Company | 644,086 | 1.10 |
| Sierra Pacific Power Company | 406,695 | 0.69 |
| F.S. Rouse Co. (Hughes) (Las Vegas) | 360,985 | 0.62 |
| Venetian Casino Resort (Las Vegas) | 322,162 | 0.55 |
| Newmont Gold Company (Elko, Eureka) | 310,900 | 0.53 |
| Harrah's Entertainment (Las Vegas) | 273,332 | 0.47 |
| Station Casinos, Inc. (Las Vegas) | 267,227 | 0.46 |
| Totals | \$ 5,691,311 | 9.72 % |

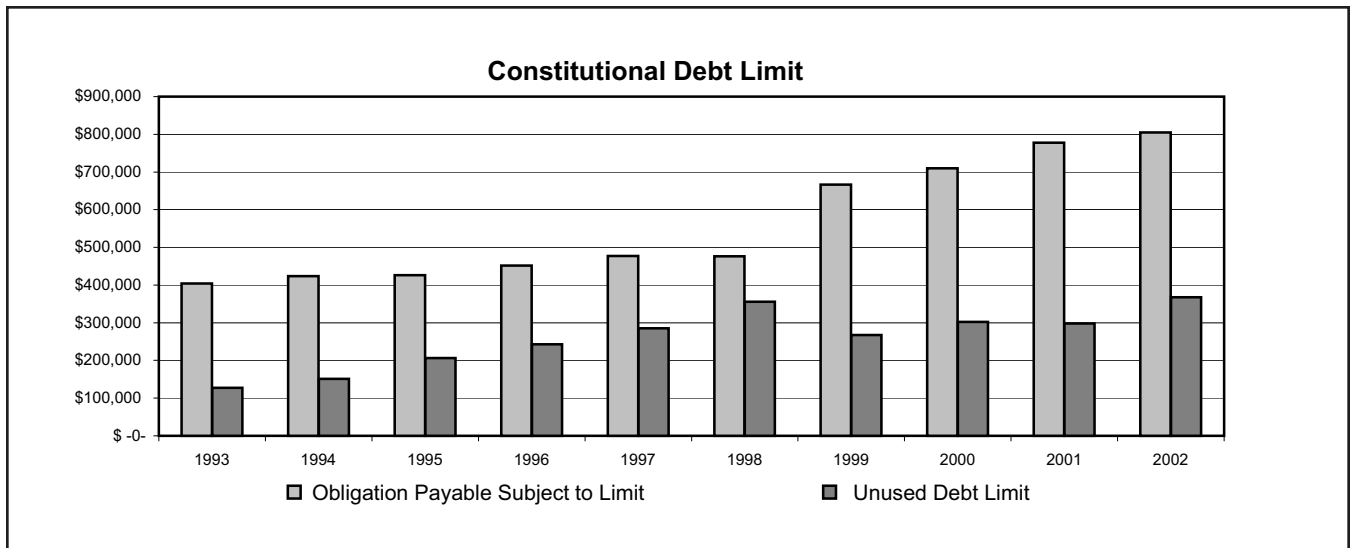
Source: Department of Taxation

For the Last Ten Fiscal Years (Expressed in Thousands) (Unaudited)

Constitutional Debt Limit

Table 8

| Fiscal Year Ended June 30 | 2% Assessed Valuation | Obligation Payable Subject to Limit | Unused Debt Limit |
|---------------------------|-----------------------|-------------------------------------|-------------------|
| 1993 | \$ 531,426 | \$ 404,005 | \$ 127,421 |
| 1994 | 574,717 | 423,278 | 151,439 |
| 1995 | 632,795 | 426,613 | 206,182 |
| 1996 | 694,581 | 451,567 | 243,014 |
| 1997 | 762,212 | 476,979 | 285,233 |
| 1998 | 831,746 | 476,050 | 355,696 |
| 1999 | 934,106 | 666,234 | 267,872 |
| 2000 | 1,011,490 | 709,490 | 302,000 |
| 2001 | 1,075,731 | 777,902 | 297,829 |
| 2002 | 1,172,317 | 804,860 | 367,457 |



Computation of Legal Debt Margin at June 30, 2002:

| | | |
|---|--------------|----------------------|
| Assessed value of taxable property at June 30, 2002 (1) | | <u>\$ 58,615,826</u> |
| Debt limitation (2% of assessed value) | | \$ 1,172,317 |
| Total general and special obligation bonded debt | \$ 2,375,993 | |
| Leases | 3,900 | |
| Certificates of participation | 14,395 | |
| Less obligation exempt from debt margin: | | |
| Municipal bond bank bonds | (1,087,785) | |
| Protection of natural resources bonds | (501,643) | |
| Debt subject to debt limitation | | <u>804,860</u> |
| Legal debt margin at June 30, 2002 | | <u>\$ 367,457</u> |

(1) Assessed value includes redevelopment assessed value of \$847,093

For the Last Ten Fiscal Years (Expressed in Thousands) (Unaudited)

**Ratio of Annual Debt Service Expenditures for
General Bonded Debt to Total General Expenditures**

Table 9

| Year Ended June 30 | Principal | Interest, Fiscal Charges (1) | Total Debt Service (2) | Total General Expenditures (3) | Debt Service Expenditures to General Expenditures % |
|--------------------------|-----------|------------------------------------|---------------------------|-----------------------------------|--|
| 1993 | \$ 19,630 | \$ 43,827 | \$ 63,457 | \$ 2,542,665 | 2.50 |
| 1994 | 26,195 | 33,159 | 59,354 | 2,477,622 | 2.40 |
| 1995 | 28,260 | 41,887 | 70,147 | 2,711,886 | 2.59 |
| 1996 | 47,015 | 55,128 | 102,143 | 2,947,797 | 3.47 |
| 1997 | 47,575 | 74,341 | 121,916 | 3,183,638 | 3.83 |
| 1998 | 52,405 | 79,831 | 132,236 | 3,415,230 | 3.87 |
| 1999 | 56,115 | 109,468 | 165,583 | 3,845,591 | 4.31 |
| 2000 | 66,741 | 109,214 | 175,955 | 4,117,330 | 4.27 |
| 2001 | 74,655 | 114,485 | 189,140 | 4,169,255 | 4.54 |
| 2002 | 74,925 | 113,159 | 188,084 | 4,364,497 | 4.31 |

(1) Excludes advance refunding escrow expenditures.

(2) Excludes general obligation bonds reported in Enterprise Funds and revenue bonds.

(3) Includes General, Special Revenue, Debt Service, Capital Project, and Permanent Funds.

**Ratio of Net General Obligation Bonded Debt to Assessed
Value and Net General Obligation Bonded Debt per Capita**

Table 10

| Year Ended June 30 | Population | Assessed Value (1) | Gross Bonded Debt (2) | Less Debt Service Fund | Debt Payable From Fees and Enterprise Fund Revenues (3) | Net Bonded Debt | Net Bonded Debt to Assessed Value % | Net Bonded Debt Per Capita |
|--------------------------|------------|-----------------------|-----------------------------|------------------------------|--|-----------------------|---|----------------------------------|
| 1993 | 1,399 | \$ 26,132,983 | \$ 703,450 | \$ 19,349 | \$ 278,820 | \$ 405,281 | 1.55 | \$ 290 |
| 1994 | 1,493 | 28,294,706 | 820,906 | 20,331 | 353,256 | 447,319 | 1.58 | 300 |
| 1995 | 1,582 | 31,102,336 | 1,026,766 | 22,420 | 560,375 | 443,971 | 1.43 | 281 |
| 1996 | 1,638 | 34,092,407 | 1,234,716 | 26,279 | 716,970 | 491,467 | 1.44 | 300 |
| 1997 | 1,741 | 37,313,864 | 1,692,296 | 29,207 | 1,142,180 | 520,909 | 1.40 | 299 |
| 1998 | 1,875 | 40,814,504 | 1,731,135 | 30,553 | 1,210,757 | 489,825 | 1.20 | 261 |
| 1999 | 1,962 | 45,893,977 | 2,210,319 | 31,565 | 1,578,895 | 599,859 | 1.31 | 306 |
| 2000 | 1,998 | 49,749,248 | 2,261,376 | 36,519 | 1,573,840 | 651,017 | 1.31 | 326 |
| 2001 | 2,132 | 52,943,737 | 2,340,381 | 37,497 | 1,581,075 | 721,809 | 1.36 | 339 |
| 2002 | 2,197 | 57,768,733 | 2,375,993 | 34,442 | 1,549,820 | 791,731 | 1.37 | 360 |

(1) Excludes redevelopment agency valuations.

(2) Excludes 1977 and 1989 Sewer Improvement Bonds serviced by Clark County, but includes Municipal Bond Bank debt.

(3) Includes University General Obligation Bonds paid from gaming taxes, Muni Bond Bank Bonds paid by local governments, Colorado River General Obligation Bonds paid by user fees and Water Pollution General Obligation Bonds paid by users' interest payments.

For the Last Ten Fiscal Years (Expressed in Thousands) (Unaudited)

Highway Improvement Revenue (Motor Vehicle Fuel Tax) Bond Coverage

Table 11

| Fiscal Year Ended June 30 | Gross Resources | Uses | Net Resources Available for Debt Service | Debt Service Requirements (1) | | | Coverage % |
|------------------------------|--------------------|----------------|--|-------------------------------|----------|-----------|------------|
| | | | | Principal | Interest | Total | |
| 1993 | \$ 332,174 (2) | \$ 319,761 (3) | \$ 12,413 | \$ 16,220 | \$ 3,115 | \$ 19,335 | 0.64 |
| 1994 | 425,828 | 409,671 | 16,157 | 12,720 | 2,327 | 15,047 | 1.07 |
| 1995 | 499,343 | 440,711 | 58,632 | 30,420 | 5,440 | 35,860 | 1.64 |
| 1996 | 463,447 | 413,941 | 49,506 | 30,420 | 4,929 | 35,349 | 1.40 |
| 1997 | 464,737 | 395,415 | 69,322 | 24,420 | 3,409 | 27,829 | 2.49 |
| 1998 | 474,138 | 426,550 | 47,588 | 17,700 | 2,080 | 19,780 | 2.41 |
| 1999 | 557,153 | 550,982 | 6,171 | 17,700 | 1,239 | 18,939 | 0.33 |
| 2000 | 619,552 | 661,622 | (42,070) | - | - | - | n/a |
| 2001 | 621,525 | 613,581 | 7,944 | - | 2,254 | 2,254 | 3.52 |
| 2002 | 712,334 | 547,761 | 164,573 | 8,065 | 4,806 | 12,871 | 12.79 |

Mortgage Revenue Bond Coverage (Housing Division Revenues)

Table 12

| Fiscal Year Ended June 30 | Gross Resources | Uses | Net Resources Available for Debt Service | Debt Service Requirements (1) | | | Coverage % |
|------------------------------|--------------------|--------------|--|-------------------------------|-----------|------------|------------|
| | | | | Principal | Interest | Total | |
| 1993 | \$ 168,152 (4) | \$ 8,597 (3) | \$ 159,555 | \$ 87,617 | \$ 51,135 | \$ 138,752 | 1.15 |
| 1994 | 213,621 | 7,512 | 206,109 | 178,892 | 38,327 | 217,219 | 0.95 |
| 1995 | 84,281 | 7,511 | 76,770 | 56,462 | 37,327 | 93,789 | 0.82 |
| 1996 | 112,896 | 8,280 | 104,616 | 82,256 | 43,156 | 125,412 | 0.83 |
| 1997 | 120,652 | 8,356 | 112,296 | 72,936 | 48,761 | 121,697 | 0.92 |
| 1998 | 148,101 | 8,519 | 139,582 | 17,827 | 54,115 | 71,942 | 1.94 |
| 1999 | 183,441 | 9,552 | 173,889 | 79,680 | 58,154 | 137,834 | 1.26 |
| 2000 | 123,773 | 9,014 | 114,759 | 105,187 | 63,406 | 168,593 | 0.68 |
| 2001 | 167,700 | 9,315 | 158,385 | 69,511 | 65,749 | 135,260 | 1.17 |
| 2002 | 206,589 | 11,835 | 194,754 | 187,664 | 67,796 | 255,460 | 0.76 |

Colorado River Commission General Obligation/ Revenue Bonded Debt Coverage

Table 13

| Fiscal Year Ended June 30 | Gross Resources | Uses | Net Resources Available for Debt Service | Debt Service Requirements (1) | | | Coverage % |
|------------------------------|--------------------|--------------|--|-------------------------------|----------|----------|------------|
| | | | | Principal | Interest | Total | |
| 1993 | \$ 11,915 | \$ 4,411 (3) | \$ 7,504 | \$ 3,020 | \$ 4,514 | \$ 7,534 | 1.00 |
| 1994 | 12,273 | 5,551 | 6,722 | 3,028 | 3,951 | 6,979 | 0.96 |
| 1995 | 14,947 | 7,021 | 7,926 | 3,367 | 5,068 | 8,435 | 0.94 |
| 1996 | 19,030 | 10,591 | 8,439 | 3,120 | 6,707 | 9,827 | 0.86 |
| 1997 | 54,149 (5) | 15,620 | 38,529 | 3,625 | 12,136 | 15,761 | 2.44 |
| 1998 | 55,501 (5) | 15,575 | 39,926 | 5,840 | 11,860 | 17,700 | 2.26 |
| 1999 | 49,917 (5) | 22,522 | 27,395 | 6,570 | 11,649 | 18,219 | 1.50 |
| 2000 | 65,643 (5) | 25,957 | 39,686 | 6,905 | 11,326 | 18,231 | 2.18 |
| 2001 | 64,393 (5) | 24,219 | 40,174 | 7,265 | 10,983 | 18,248 | 2.20 |
| 2002 | 126,467 (5) | 90,630 | 35,837 | 3,365 | 7,079 | 10,444 | 3.43 |

- (1) Principal requirements represent principal outlays.
- (2) Consists of the resources of the State Highway Special Revenue Fund and Highway Revenue Bonds Debt Service Fund.
- (3) Uses are operating expenses, nonoperating expenses, and transfers out less interest expense and depreciation.
- (4) Consists of operating revenues, nonoperating revenues, transfers in and principal collections of the Housing Division Enterprise Fund.
- (5) Includes operating revenues and nonoperating revenues of the Southern Nevada Water Authority who replaced the Colorado River Commission Water Treatment Enterprise Fund as payor of the Colorado River Commission General Obligation/Revenue Bonds debt service.

(Unaudited)

Disposable Per Capita Income

Table 14

| Calendar Year | United States | California | Nevada | Nevada's Per Capita as % of U.S. Per Capita | Nevada's Per Capita Rank |
|---------------|---------------|------------|----------|---|--------------------------|
| 1970 | \$ 3,484 | \$ 4,131 | \$ 4,425 | 127% | 5 |
| 1980 | 8,424 | 9,876 | 9,714 | 115 | 5 |
| 1990 | 16,642 | 18,313 | 17,443 | 105 | 15 |
| 1992 | 18,034 | 19,390 | 18,866 | 105 | 14 |
| 1993 | 18,551 | 19,571 | 19,386 | 105 | 8 |
| 1994 | 19,241 | 19,929 | 20,350 | 106 | 8 |
| 1995 | 20,189 | 20,970 | 21,065 | 104 | 10 |
| 1996 | 20,979 | 21,760 | 21,805 | 104 | 9 |
| 1997 | 21,908 | 22,674 | 22,742 | 104 | 11 |
| 1998 | 22,424 | 23,119 | 22,959 | 102 | 14 |
| 1999 | 24,297 | 25,100 | 26,205 | 108 | 9 |
| 2000 | 25,090 | 26,808 | 26,105 | 104 | 14 |
| 2001 | 25,688 | 26,947 | 25,637 | 100 | 17 |

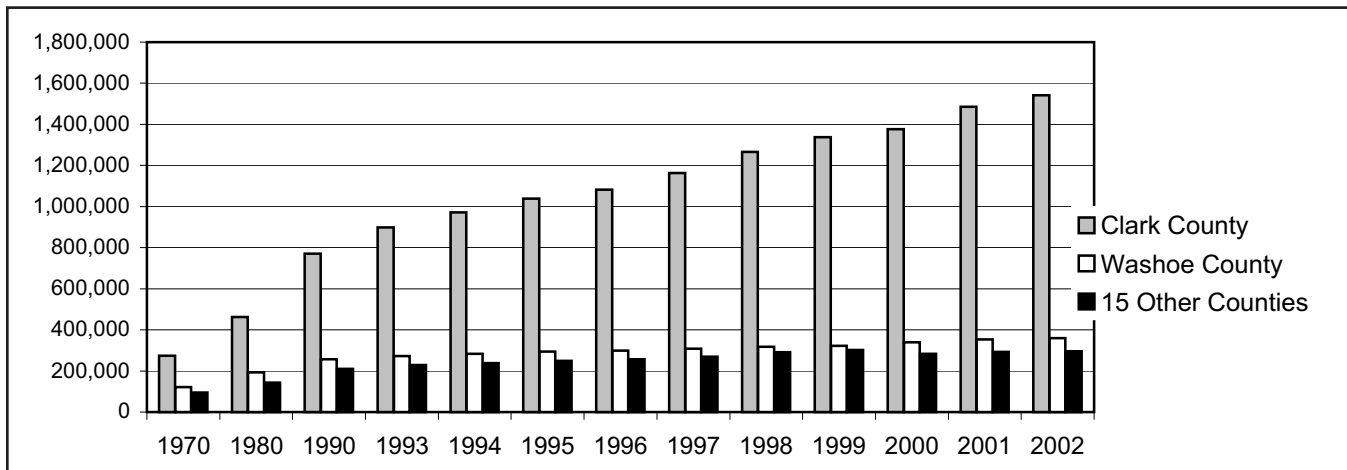
Source: Survey of Current Business, published by U.S. Department of Commerce

Population

Table 15

| Year | Clark County | Washoe County | 15 Other Counties | Total State |
|------|--------------|---------------|-------------------|-------------|
| 1970 | 273,288 | 121,068 | 94,382 | 488,738 |
| 1980 | 463,087 | 193,623 | 143,798 | 800,508 |
| 1990 | 770,280 | 257,120 | 209,500 | 1,236,900 |
| 1993 | 898,020 | 271,770 | 228,970 | 1,398,760 |
| 1994 | 971,680 | 282,630 | 238,690 | 1,493,000 |
| 1995 | 1,038,180 | 294,290 | 249,810 | 1,582,280 |
| 1996 | 1,082,667 | 298,356 | 256,992 | 1,638,015 |
| 1997 | 1,163,207 | 308,579 | 269,111 | 1,740,897 |
| 1998 | 1,265,590 | 318,050 | 291,120 | 1,874,760 |
| 1999 | 1,337,400 | 322,810 | 301,460 | 1,961,670 |
| 2000 | 1,375,765 | 339,486 | 283,006 | 1,998,257 |
| 2001 | 1,485,855 | 353,271 | 293,372 | 2,132,498 |
| 2002 | 1,541,395 | 359,423 | 296,263 | 2,197,081 |

Sources: U.S. Department of Commerce, Bureau of Census, 1970, 1980, 1990, 2000; Nevada State Demographer for all other years as estimated for July 1.



For the Last Ten Fiscal Years (Unaudited)

Public School Enrollment

Table 16

| Grades | Fall Enrollment | | | | | | | | | |
|--------------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 (1) | 2001 (1) | 2002 |
| Primary (K - 6) | 138,829 | 146,949 | 155,492 | 164,654 | 173,618 | 181,612 | 189,755 | 198,863 | 207,039 | 211,260 |
| Secondary (7 - 12) | 96,971 | 103,798 | 109,549 | 117,477 | 123,003 | 129,451 | 135,855 | 141,843 | 149,775 | 158,225 |
| Total | 235,800 | 250,747 | 265,041 | 282,131 | 296,621 | 311,063 | 325,610 | 340,706 | 356,814 | 369,485 |
| County | | | | | | | | | | |
| Clark | 145,327 | 156,348 | 166,788 | 179,106 | 190,822 | 203,777 | 217,526 | 231,655 | 245,659 | 255,316 |
| Washoe | 43,715 | 45,752 | 47,572 | 49,671 | 51,205 | 52,652 | 54,508 | 56,268 | 58,532 | 58,908 |
| All Others | 46,758 | 48,647 | 50,681 | 53,354 | 54,594 | 54,634 | 53,576 | 52,783 | 52,623 | 55,261 |
| Total | 235,800 | 250,747 | 265,041 | 282,131 | 296,621 | 311,063 | 325,610 | 340,706 | 356,814 | 369,485 |

(1) Revised in 2002

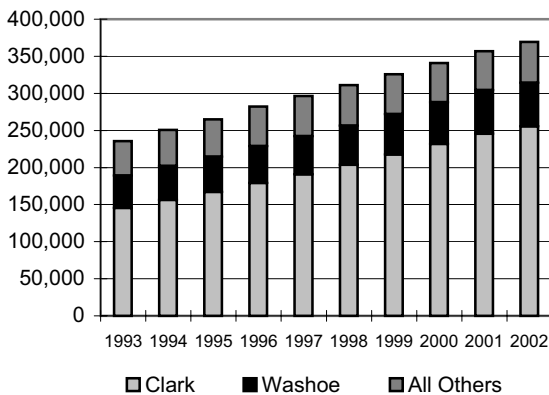
Source: Nevada Department of Education

University, State College, and Community College Enrollment

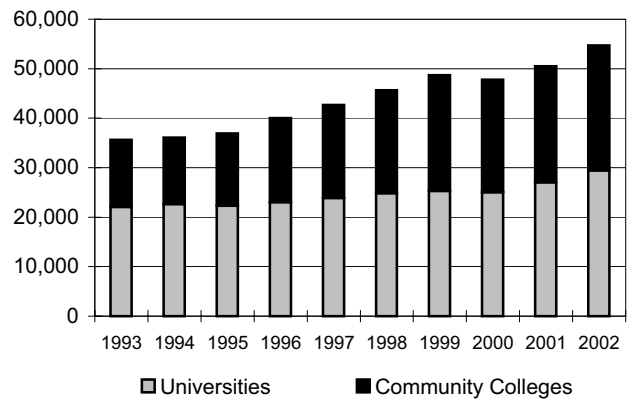
Table 17

| Universities | Full Time Equivalent Students at Fall Enrollment | | | | | | | | | |
|-------------------------|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
| Reno | 9,155 | 9,392 | 9,161 | 9,383 | 9,397 | 9,488 | 9,881 | 9,898 | 10,804 | 11,668 |
| Las Vegas | 12,885 | 13,211 | 13,166 | 13,661 | 14,447 | 15,318 | 15,428 | 15,093 | 16,232 | 17,777 |
| Subtotal | 22,040 | 22,603 | 22,327 | 23,044 | 23,844 | 24,806 | 25,309 | 24,991 | 27,036 | 29,445 |
| State College | | | | | | | | | | |
| Henderson | - | - | - | - | - | - | - | - | - | 116 |
| Community Colleges (CC) | | | | | | | | | | |
| Southern Nevada | 7,137 | 7,111 | 8,599 | 10,245 | 11,380 | 13,135 | 15,215 | 14,410 | 15,266 | 16,532 |
| Great Basin | 906 | 933 | 878 | 1,010 | 1,146 | 1,132 | 1,252 | 1,322 | 1,208 | 1,251 |
| Truckee Meadows | 3,726 | 3,594 | 3,451 | 3,848 | 4,377 | 4,560 | 4,867 | 5,032 | 4,889 | 5,324 |
| Western Nevada | 1,810 | 1,847 | 1,682 | 1,869 | 1,955 | 2,013 | 2,045 | 2,037 | 2,128 | 2,164 |
| Subtotal | 13,579 | 13,485 | 14,610 | 16,972 | 18,858 | 20,840 | 23,379 | 22,801 | 23,491 | 25,271 |
| Total | 35,619 | 36,088 | 36,937 | 40,016 | 42,702 | 45,646 | 48,688 | 47,792 | 50,527 | 54,832 |

Public School Enrollment



University and Community College Enrollment



Average Annual Employment

Table 18

Last Ten Calendar Years (Expressed in Thousands) (Unaudited)

| Fiscal Year Ended June 30 | Labor Force Statistics | | | | Industrial Base Statistics (2) | | |
|------------------------------|-----------------------------|--------------|------------------------|--|--------------------------------|--------------------|-----------------------|
| | Total Nevada Labor Force | Unemployment | Unemployment Rate % | U.S. Average Unemployment Rate % | Total Non- Agriculture | Goods Producing | Services Producing |
| 1993 | 746.0 | 54.0 | 7.2 | 6.8 | 670.0 | 88.0 | 582.0 |
| 1994 | 779.0 | 48.0 | 6.2 | 6.1 | 736.7 | 100.9 | 635.8 |
| 1995 | 800.9 | 43.2 | 5.4 | 5.6 | 789.1 | 111.8 | 677.3 |
| 1996 | 844.1 | 45.7 | 5.4 | 5.4 | 842.5 | 128.0 | 714.5 |
| 1997 | 890.2 | 40.7 | 4.6 | 5.0 | 885.8 | 137.1 | 748.7 |
| 1998 | 919.9 | 39.6 | 4.3 | 4.5 | 924.4 | 140.1 | 784.3 |
| 1999 | 941.6 | 41.9 | 4.4 | 4.2 | 985.1 | 144.9 | 840.2 |
| 2000 | 986.1 | 40.0 | 4.1 | 4.0 | 1,028.7 | 143.1 | 885.6 |
| 2001 (3) | 1,023.5 | 54.7 | 5.3 | 4.8 | 1,053.9 | 145.9 | 908.0 |
| 2002 (1) | 1,051.1 | 59.1 | 5.6 | 5.7 | 1,064.7 | 147.3 | 917.4 |

Source: Nevada Department of Employment, Training and Rehabilitation

(1) Average through September 2002

(2) Reflects employment by place of work. Does not necessarily coincide with the labor force concept. Includes multiple job holders.

(3) Revised in 2002

Revenues Collected from Counties

Table 19

Last Ten Fiscal Years (Expressed in Thousands) (Unaudited)

| County: | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| Carson City | \$ 1,387 | \$ 1,477 | \$ 1,436 | \$ 1,696 | \$ 1,676 | \$ 1,785 | \$ 2,076 | \$ 2,340 | \$ 2,416 | \$ 2,208 |
| Churchill | 610 | 677 | 697 | 684 | 756 | 750 | 874 | 892 | 824 | 815 |
| Clark | 29,663 | 40,953 | 40,644 | 45,462 | 49,796 | 53,698 | 70,399 | 82,802 | 92,243 | 82,753 |
| Douglas | 2,066 | 2,259 | 2,313 | 2,541 | 2,728 | 2,766 | 3,176 | 3,542 | 3,730 | 3,364 |
| Elko | 1,467 | 1,672 | 1,833 | 1,814 | 2,073 | 1,975 | 2,099 | 2,199 | 2,411 | 2,284 |
| Esmeralda | 110 | 123 | 118 | 119 | 107 | 175 | 225 | 170 | 196 | 199 |
| Eureka | 616 | 785 | 900 | 1,020 | 986 | 899 | 933 | 827 | 906 | 815 |
| Humboldt | 638 | 728 | 799 | 869 | 1,028 | 1,100 | 1,292 | 1,227 | 1,196 | 1,066 |
| Lander | 334 | 331 | 337 | 359 | 400 | 414 | 458 | 496 | 497 | 417 |
| Lincoln | 154 | 168 | 173 | 198 | 260 | 228 | 244 | 244 | 284 | 262 |
| Lyon | 1,048 | 843 | 910 | 940 | 1,072 | 1,188 | 1,454 | 1,666 | 1,724 | 1,530 |
| Mineral | 209 | 211 | 240 | 269 | 309 | 314 | 225 | 207 | 496 | 159 |
| Nye | 911 | 924 | 922 | 1,062 | 1,273 | 1,296 | 1,559 | 1,949 | 2,131 | 1,780 |
| Pershing | 238 | 244 | 241 | 259 | 272 | 289 | 339 | 336 | 293 | 317 |
| Storey | 110 | 109 | 122 | 129 | 142 | 253 | 242 | 220 | 246 | 293 |
| Washoe | 10,883 | 11,783 | 12,561 | 13,385 | 14,550 | 13,256 | 19,398 | 21,589 | 22,346 | 20,199 |
| White Pine | 239 | 281 | 255 | 405 | 391 | 332 | 369 | 374 | 330 | 274 |
| Total revenues collected from counties | \$ 50,683 | \$ 63,568 | \$ 64,501 | \$ 71,211 | \$ 77,819 | \$ 80,718 | \$ 105,362 | \$ 121,080 | \$ 132,269 | \$ 118,735 |

KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*

The Honorable Kathy Augustine
State Controller

We have audited the basic financial statements of the State of Nevada (the State), as of and for the year ended June 30, 2002, and have issued our report thereon dated December 13, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. As described in our report dated December 13, 2002, portions of the audit of the basic financial statements were performed by other auditors, whose reports were furnished to us.

Compliance

As part of obtaining reasonable assurance about whether the State's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Nevada Legislature and management of the State. It is not intended to be and should not be used by anyone other than these specified parties.

Kafoury, Armstrong & Co.

Reno, Nevada
December 13, 2002

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